

INTRODUCTION TO THE
COOPERATIVE MOVEMENT

1941

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FIRST EDITION

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To

All those, known and unknown,
who have helped make
this collection possible,
to my colleagues
and to
J. E. G.

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PREFACE

THIS book is the work of a research student rather than of one actively working in the cooperative movement. Having studied the theory of cooperation since 1928, I believe that this detachment should be a benefit rather than a drawback. The attempt here is to set forth objectively, through readings and references, the best writings about the various types of cooperatives, in order to produce a scientific collection of writings for those who wish to know more about the cooperative movement.

The social scientist exposes both sides of the question he is studying, seeking to understand both its strength and its weakness. I have not hesitated to present both sides of controversial questions, such as whether or not cooperation is utopian, socialistic, communistic, or economic in character; whether or not it is evolutionary or revolutionary in type; whether cooperative medicine and consumers' hospitals are merely insurance schemes or constitute the socialization of medicine or whether building and loan societies as well as commercial mutual insurance companies are really cooperative in nature or not.

The sources appended at the end of each division, with the exception of the producers' cooperative movement, are not complete. The references usually suggest a particular chapter that lends a shade of interpretation not contained in the reading actually quoted. These references are often as informative and important as the quoted works but space limitations did not allow further development.

It is not possible to thank adequately the many people who have so generously helped to make this collection possible. Thanks are due Charles A. O'Neill, S.J., Chairman of the Department of Economics and Sociology, College of Arts and Sciences, Georgetown University, an authority on cooperation, who has reviewed the entire manuscript. Thanks are due also to Walter J. O'Connor and Josef Solterer for timely advice and

unflagging assistance, to the many publishers who have so kindly released their publications for quotation, and to the cooperative officials, at home and abroad. I am individually indebted to every officer and administrator of The Cooperative League of the U.S.A., and to the technical advisor of the publisher.

ANDREW J. KRESS

Washington, D. C.

September 9, 1940

Part I

THE CONSUMERS COOPERATIVE MOVEMENT
AND SOME OF ITS MORE
MODERN PHASES

THE FIRST COOPERATIVE MOVEMENT— UTOPIAN AND POLITICAL

ROBERT OWEN, SOCIAL REFORMER¹

I have never advocated the possibility of creating a physical and mental equality among the human race, knowing well that it is from our physical and mental varieties that the very essence of knowledge, wisdom, and happiness, or rational enjoyment is to arise. The equality which belongs to the new, true, and rational system of human existence is an equality of conditions or of surroundings which shall give to each, according to natural organization, an equal physical, intellectual, moral, spiritual, and practical treatment, training, education, position, employment according to age, and share in local and general government, when governing rationally shall be understood and applied to practice.—“Life of Robert Owen,” by Himself, p. iii.

ROBERT OWEN is a figure of great significance in the social history of the nineteenth century. It is easy to show the limitations of his educational theories; it is child's play to explode his particular form of Socialism; and it is not difficult to demonstrate that his style was ponderous and he himself something of a bore. Yet, when all these admissions have been made, “whatever his mistakes, Owen was a pathfinder.” (Helene Simon)

The Industrial Revolution was ignored by some contemporary thinkers, and was a hopeless puzzle, a dark enigma, to others. It is Owen's glory that while still young, with little education, and all the cares of business and commercial responsibility on his shoulders, he saw his way to the solution of some of the most

¹ Quoted, with permission, from *Robert Owen, Tract No. 166*, B. L. Hutchins, The Fabian Society, London, 1912, third reprint, 1928, pages 2-24.

pressing social difficulties and anomalies, and put his ideas in practice in his own factory and schools with astonishing success. There are personalities, such as William Morris, or even Lord Shaftesbury, who in their different ways are more attractive, more affecting, more sympathetic, but the remarkable fact about Owen is that his ideas on social legislation were at once original and practical. Our factory legislation is still based upon his suggestions more than upon those of any other man; and if the unspeakable horrors of child labor under the early factory system have been mitigated, and the disgrace of England in this matter to a large extent removed, it should not be forgotten that Robert Owen showed the way.

. . . In 1798 or 1799 (the dates are somewhat confused in the Autobiography) Owen found himself at twenty-eight manager and part proprietor of the New Lanark Mills and a married man.

AT NEW LANARK

This event forms the turning point in Owen's career. His extraordinarily rapid success in winning an assured position at an early age was no doubt due in part only to his own ability, since some part of it can be accounted for by the peculiar circumstances of the time, the introduction and development of steam power and machinery having made it possible to obtain profits on a startling scale. . . . He had associated with Dr. Percival in Manchester, and had heard of the diseases and other terrible evils that were caused by the herding of pauper apprentices in insanitary dens in the neighborhood of the mills. In some of the mills, especially those in secluded valleys removed from any check of public opinion, little children were made to work night and day in heated rooms, uncleansed and unventilated, with little or no provision for teaching, care, or education. In the worst cases there were cruel beatings and other brutal punishments, and in most, probably, little thought for means of safeguard against and prevention of terrible accidents from machinery.

. . . Five hundred children were employed, who had been taken from poorhouses, chiefly from Edinburgh, and these children were mostly between the ages of five and eight years old. The reason such young children were taken was that Mr. Dale could not get them older. If he did not take them at this early age, they were not to be had at all. The hours of work were thirteen a day (sometimes more), including meal times, for

which intervals, amounting to an hour and a half in all, were allowed. Owen found that, in spite of the good food and relatively good care enjoyed by the children when out of the mills, the long hours of work had stunted their growth and in some cases deformed their limbs. Although a good teacher, according to the ideas of the time, had been engaged, the children made very slow progress even in learning the alphabet. These facts convinced Owen that the children were injured by being taken into the mills at so early an age and by being made to work for so many hours, and as soon as he could make other arrangements, he put an end to the system, discontinued the employment of pauper children, refused to engage any child under ten years old, and reduced the hours of work to twelve daily, of which one and a quarter were given to rest and meals.

. . . It is, indeed, hardly credible that the schooling which was supposed to be given to the children after their seven o'clock supper till nine, could have been of much use after so many hours at work in the mill. Owen's view was that "this kind of instruction, when the strength of the children was exhausted, only tormented them, without doing any real good; for I found that none of them understood anything they attempted to read, and many of them fell asleep during the school hours."

Owen also did a great deal to improve the village houses and streets, and build new houses to receive new families to supply the place of the paupers, and to re-arrange the interior of the mills, and replace the old machinery by new.

. . . Stores were opened to supply the people with food, clothing, milk, fuel, etc., at cost price. Previously the credit system prevailed, and all the retail shops could sell spirits. The quality of the goods was most inferior, and the charges high to cover risk. The result of this change saved the people twenty-five per cent. in their expenses, besides giving them the best, instead of very inferior, articles. (There are risks in connection with shops run by employers for profit which are now well known, and have been the occasion of many Truck Acts; but in this case the profits of the stores were not taken by Owen, but were used for the benefit of the workpeople themselves and for the upkeep of the schools, the scheme resembling a consumers' cooperative store rather than a shop for private profit. Compare Report of Peel's Committee, Robert Owen's evidence, p. 22.)

A NEW VIEW OF SOCIETY

Owen came before the world as an educational reformer in 1813, when he published his "New View of Society: or, Essays on the Principle of the Formation of the Human Character." Education in England, as most people know, was grossly neglected at this time, especially in regard to the children of the working class.

. . . A building was erected at New Lanark, to be used exclusively for school classes, lectures, music and recreation. There were two schoolrooms, one hung round with pictures of animals, shells, minerals, etc., and with large maps. Dancing and singing lessons were given, and the younger classes were taught reading, natural history, and geography. Both boys and girls were drilled, formed in divisions led by young drummers and fifers, and became very expert and perfect in their exercises. The children all wore white garments, given them by Owen, tunics for the boys, frocks for the girls, which were changed three times a week.

Before the shortening of the hours of work, the average attendance at the evening schools was less than 100 a night; but after the reduction on January 1, 1816, the attendance rose rapidly, and was 380 in January, 386 in February, and 396 in March.

FACTORY CHILDREN

In 1815 Owen called a meeting of Scottish manufacturers, to be held in the Tontine, Glasgow, to consider, first, the necessity and policy of asking the Government, then under Lord Liverpool's administration, to remit the heavy duty then paid on the importation of cotton; and, secondly, to consider measures to improve the condition of children and others employed in textile mills. . . . He urged those present not to forget the interests of those by whom their profits were made, and suggested a Factory Act. Not one person in the meeting would second the motion.

. . . The legislative measure he suggested was to limit the hours of labor in factories to twelve per day, including one and a half for meals; to prohibit employment of children under ten in factories; to require that employment of children from ten to twelve should be for half time only; and that no children should be admitted to work in factories at all until they could read and write, understand elementary arithmetic, and, in the case of girls, sew and make their clothes.

. . . It is interesting . . . to recall that the institution of fac-

tory inspectors was not effected till 1833, the ten hours day did not become law till 1847, and the prohibition of work under ten years old did not come into force until the year 1874.

. . . Owen died in 1858. It might seem that his life was a failure, his immediate efforts having been sorely disappointed over the Factory Act of 1819, and his wonderful forecasts of universal peace and prosperity having been sadly falsified by events. But the real results of Owen's work are to be seen in the long series of factory legislation, which, slowly, and imperfectly, it is true, has yet built up a system of protection for the worker, and in the efforts which, in the twentieth century, have at last achieved some beginnings of success for international regulation of labor.

. . . The importance of Owen's life and teaching does not lie in his social philosophy, which was crude and already somewhat out of date, but in the practical success of his experiments as a model employer, and in his flashes of social intuition, which made him see, as by inspiration, the needs of his time. . . . But the measure of recognition it has obtained, both at home and abroad, is a measure of the greatness of Robert Owen, the pathfinder of social legislation, who had a vision for the realities of modern industrial life when they were as yet dim, strange, and unknown to his contemporaries. No one has yet done so much as he did to show that man must be the master of the machine if he is not to be its slave.

THE FIRST SPROUTINGS²

Of all that large throng of idealists who crowded about the dominating figure of Robert Owen in the early years of last century the great majority were of the upper classes. Deeply worried as they were over the miseries of the masses, they were not of the masses themselves. Later on strong personalities rose here and there out of the ranks of the workers and joined the devoted army, but for many years they represented nothing but themselves. Working-class organization did not appear till a much later date.

Indeed, few of these theories and ideas could have inspired the rank and file of the workers with hope, for all the schemes advocated required vast sums of money for their practical realization. Like idealists of to-day, Owen and his followers spoke of millions.

But there is ample evidence that Owen's essential idea, collec-

² Quoted, with permission, from *Consumer's Cooperation*, by Albert Sonnichsen, The Macmillan Co., New York, 1919, pages 11-19.

tivism, did make an impression on the working people. Or, rather, it should be said that they, too, in their own way conceived that idea, for some of them had already begun their humble experiments before Owen had proclaimed himself. These trifling enterprises, however, failed to attract Owen's attention. Like the Socialists of to-day, his indignation against the injustice he saw about him rendered him so impatient that he wanted to change the social order overnight, and humble beginnings only irritated him.

Now it will be noted that all the proposed experiments of the idealists centered about production. In fact, nearly all involved communal ownership of land, the source of all wealth. And there is a certain logic about this conception: attempting to change the social order by obtaining control of original sources. At any rate, it was clear that the predominating thought was to get hold of the tools of industry: the machines. Therefore every scheme centered at this point. As a theory that idea survives to this day among the political Socialists and, especially, in the program of the Syndicalists.

But aside from the trade-unions, which were purely defensive, therefore of no social significance from a constructive point of view, it is noteworthy that the earliest organizations of the workers took hold of the problem from the other end: distribution. Naturally, this was not the result of any social philosophy they had conceived, but because this method followed the line of least resistance.

Surrounded as they were by an environment of bitter hardness, they regarded the situation with a practical eye, uncolored by the rosy dreams of the Utopians. They felt the pressure from two sides. On the one hand was the employer, the manufacturer, who ever sought to lower their wages. On the other hand was the storekeeper, who sold them the necessities of life, ever tending to raise the prices of the goods he sold them.

Against the employer they presented a purely defensive front: the trade-union. He was too powerful to attack. But the shopkeeper seemed not so formidable. To acquire collective control of the factory seemed hopeless. To acquire collective control of the distributing station, the store, seemed well within the realm of practical realization. Once they grasped the idea of collective ownership they applied it there, to the store. Thus they organized into consumers' societies and opened their own stores.

According to William Maxwell, author of "The History of

Cooperation in Scotland," there were humble beginnings of this nature made before the close of the sixteenth century. The first one of which there is any record was initiated in a small village in Scotland, Fenwick, in 1769. It was the creation of a few poor weavers who saw in this associative effort nothing more than a means whereby they could expand the purchasing power of their scanty wages by a few pennies. Mr. Maxwell is able to present a copy of an entry in the minute book of the secretary, which probably also served as the constitution of the society:

"9th November, 1769.

"This present Day it is agreed upon by the members of this Society to take what money we have in our Box and buy what victwal may be thought Nessassar to sell for the benefit of our society. And the managers of our society may borrow what money They think Proper for that End and purpose. And when the interest is paid of what money yow borrow and the men received their wages for buying and selling thes Victwals we Deal in the Society will both reap the benefit and sustain the loss of them, and If any member of our society Pay not what Quantity of Victwals he receives at the end of four weeks If the managers require it of him, Neither him nor his shall have any more right to our societys Victwals If he be found buying Victwals from any other and leaving the trade in debt of the same according to the option of the society.

Alexander Walles

John Wilson

Andrew Orr, his x mark

Robert Walker

John Burns

Wm. Hendry, his x mark

James Broun

William Walker

William Bunten

Thos. Barr

J. Gemmel, his x mark."

An enterprise differing in nature, but based on the same co-operative principle, was launched in Hull, England, in 1795. The harvest that year had been unusually bad and the price of wheat was higher than it had been for a generation back. Stirred up by these depressing conditions, the "poor inhabitants" of the city presented a petition to the mayor, as follows:

"We, the poor inhabitants of the said town, have lately experienced much trouble and sorrow in our selves and families on the occasion of an exhorbitant price of flour; that, though the price is much reduced at present, yet we judge it needful to take every precaution to preserve ourselves from the invasion of covetous and merciless men in the future. In consequence thereof, we have entered into a subscription, each sub-

scriber to pay 1s 1d per week, for four weeks, and 6d per week, for four weeks more, which is 6s 4d each, for the purpose of building a mill which is to be the subscribers', their heirs, executors, administrators, or assigns forever, in order to supply them flour; but as we are conscious that this subscription will not be sufficient to bring about this purpose, we do hereby humbly beseech your Worship's advice and assistance in this great undertaking, that not only we but our children yet unborn may have cause to bless you.

Except that this latter undertaking sought and received outside aid, these two are each a representative type of a great number of cooperative enterprises found throughout Great Britain during Robert Owen's period. That there might be in them the germs of a mighty economic mass movement of the future the idealists never suspected; they could not see in grinding flour or selling groceries a road to the social millennium. On the other hand, the members of these small working-class societies themselves seemed equally unconscious of any social mission.

There was one man, however, whose vision penetrated clearly into the distant future.

Dr. William King, like practically all of the social missionaries of his time, was not of the working classes himself. After having graduated from Oxford and Cambridge, he studied medicine and then began to practice at Brighton, where he soon rose to prominence within his profession and was elected a member of the Royal College of Physicians. He was one of the founders of a technical school in Brighton, where he and Ricardo, the famous economist, lectured from the same platform. Intensely interested in social problems, he studied industrial conditions, not so much at first-hand as Robert Owen, but as a theorist, like the scholar he was. At once those humble flour milling and store societies attracted his attention, and so impressed was he by their potential significance that he persuaded the students of the school he had founded to organize such a society in Brighton, in 1827, just when Owen was in the midst of his propaganda for communist colonies.

In the following year Dr. King began to publish, at his private expense, a series of essays, in periodical form, on cooperation, wherein he expounded his conception of the means by which the working classes were to emancipate themselves from their industrial slavery. And, in marked contrast to the hundreds of other writers on the same general subject who were then expounding

their views, King addressed his remarks to the working classes themselves directly, in the second person plural.

"This should be done," he said, in effect, "to gain that end. *And only you yourselves can do it.*"

There is no evidence that the working classes ever read the lectures addressed to them by Dr. King. Twenty-eight numbers of the *Brighton Cooperator* were issued, and then their author and publisher suspended publication in despair. Or perhaps he felt he had delivered his message. Like many another prophet, he preached in the wilderness, and though England teemed with hundreds of intellectuals keenly interested in solving the great social problems, not one took the least notice of King's essays. Holyoake, than whom there never was a more verbose writer, passes him over with a paragraph.

Though King's writings were inspirational, rather than scientific, in him the modern cooperative movement found its first theorist, its first prophet. So clear was his insight into the future that the subsequent development and progress of the cooperative movement has shown little deviation from the path he marked out for it, nearly a hundred years ago. So applicable are the principles he enunciated and the arguments he made to present-day cooperation that a summary of his program is worthy of presentation, not only on account of its historical value, but because of the clear conception it gives of the ideals that animate the more intelligent leaders of the modern movement.

Until quite recently it may be said that not one cooperator had ever heard of King or his *Cooperator*, except through the one paragraph in Holyoake's reminiscences. Then, some six or seven years ago, Dr. Hans Müller, secretary of the International Cooperative Alliance, himself a scholar and perhaps the foremost exponent of modern cooperation, while engaged in research in the library of the British Museum came across a file of the old *Brighton Cooperator*. The result was that he devoted a good half of the International Cooperative Alliance Yearbook for 1913 to an exposition of King's writings.

"There is no doubt," comments Dr. Müller, "that King's idea of cooperation was one of social reform. King does not regard cooperation merely as a means of imposing limits on or exterminating the middleman, or augmenting the productive power of labor . . . he hopes by means of the cooperative society to transform

the structure of our economic life as a whole, and thus liberate labor from subjection to and dependence on capital. It is obvious from the point of view adopted by King that he looks upon the interest of capital and labor as being hostile the one to the other, though this view is not directly expressed in words. Without actually mentioning the word capitalism it is plain to him that if the lines hitherto followed are still further pursued, it will result in adding ever-increasing members to the proletariat. He considers it essential to depart from the economic system of the present day, which compels the impecunious worker to agree to work for an employer in order to gain bare subsistence. King considers cooperation the means to be adopted in the conquest of capitalism and its wage system. . . . The aim of cooperation is to enable the workman to work for himself and his fellow cooperators. . . . A means to this end is the erection of stores from which members may purchase all provisions and other necessities. Members will not, however, gain any immediate advantage by so doing, but it will provide a means for the building up of a collective capital, which they will at no very distant date be able to use in employing their own members. . . . According to King the main idea of cooperation is the acquisition of property, and this idea on his part separates him distinctly from Owen. He stands in marked contrast to the latter. Owen regarded a community, which is a kind of agricultural-industrial and educational society, as the only form of cooperation which would meet with success and for the establishment of which a large capital was necessary. King, on the other hand, wished to develop cooperation solely by turning to account the power and means which the worker already possessed."

Dr. Müller then quotes King as follows:

"Cooperation being a subject quite new to the working classes, it is natural that they should be ignorant of it. If it has been heard of by them at all, it has been in such a way as to make it appear completely visionary. It has always been connected with the idea that in order to carry it into practice, large sums of money are absolutely necessary. (Obviously a reference to Owen's schemes.) The smallest sum ever mentioned as sufficient for the purpose is £20,000. From this the advocates have gradually risen up to as high as a million. . . . A man wants nothing but his wages and an honest companion to begin. If they can find a third to join them, they may say 'a threefold cord is not soon broken.' They may subscribe weekly toward a common fund, they may market

for each other, they may buy large quantities of goods at once and so get an abatement of price—which abatement they may throw into a common stock.”

Thus, it will be seen, King bases his philosophy on the power of the workers *as consumers*.

“If a number of workmen were to join together,” he continues, “on these principles, their capital would be greater and they might do great things. They might have a store of their own where they might deal in anything they wanted. Their store would enter into competition with other stores in serving the public. As the business increased, the profits and capital would increase. As the capital increased it would employ the members of the society, in any way which might be deemed most advantageous. If there was a profitable demand in the public for any particular commodity, the members might manufacture it. If the profits of manufacture were not high enough to make it worth producing them, the members might easily raise their own food by hiring or purchasing land, and becoming, part of them, agriculturalists instead of manufacturers.”

THE SPIRIT OF ASSOCIATION³

It was well for the ultimate success of the Cooperative movement that the great majority of intelligent working-men, grimly intent on escaping from out of the house of bondage into the free wilderness of political democracy, concerned themselves little with beatific visions of the promised land of their inheritance. To a people weighed with taxes, bound hand and foot by laws against free combination and free emigration, chained to the ground by the law of settlement, a scientific theory of consumption, an equitable distribution of wealth, or a communal ownership of land and capital, seemed somewhat remote and unattainable objects. The sound instinct of the English people was rudely but effectively expressed by a Wigan weaver, present at a meeting of gentry held in the hall of that rotten borough under the chairmanship of the borough owner, to consult about the distribution of wealth in the form of soup to starving operatives: “We do not want your soup; give us our rights, and we shall eat roast beef.”

The reformers led by Cartwright, Cobbett, Place, and Burdett, were moved, equally with Robert Owen, to vigorous exertion by

³ Quoted, with permission, from *The Cooperative Movement*, by Beatrice Potter (Webb), Swan Sonnenschein & Co., London, 1891, pages 32-51.

the sight of the intolerable suffering and degradation of the whole people. "England now contains," writes Cobbett in 1820, "the most miserable people that ever trod the earth. It is the seat of greater human suffering, of more pain of body and mind than was ever before heard of in the whole world." But with the practical sense of an Englishman, Cobbett and his fellow-workers deliberately shut their eyes to the economic causes of the people's distress—causes over which working-men, in their present political and social servitude, had no control; and concentrated their whole energy on Parliamentary reform.

. . . To William Cobbett, elaborate plans for the elimination of profits, and the absorption by the community of rent and interest, seemed futile and fanciful philanthropy in face of the great proletariat, who had lost the right of voting taxes (that theoretically inalienable right of every Englishman), who were denied the right of public meeting and free speech, in whom combination to raise wages was a criminal offence, and to whom associations for trading and manufacturing purposes were rendered impracticable. Factory Acts, Public Health Acts, Education Acts, Adulteration Acts—if needful, a new system of society—"these and all other good things," cried the people's tribune, "must be done by a Reformed Parliament—we must have that first, or we shall have nothing good; and any man who would beforehand take up your time with the detail of what a Reformed Parliament ought to do in this respect, or with respect to any change in the form of Government, can have no other object than that of defeating the cause of Reform."

. . . Cobbett understood the mind of the English Democracy, and recognized growth as an essential element of social reformation. The Cooperative organization of industry had to be lifted from off its high place in the minds of philosophers, on the bookshelves of kings and cabinet ministers, on the tables of great ladies—this self-consciously perfect new system of society had to be transformed into a mere matter of detail, to be worked out amid the plodding uniformity of common life, slowly and unconsciously, in back streets and crowded cities, by the average sensual man under the blind eye of that great English fetish, the immortal, infallible, unchangeable law and principle of the British Constitution.

It is important to realize that the successful working out of the democratic idea—the dogma that no man should be taxed without

the consent of his representative—involves the acceptance of those principles essential to representative self-government in all its forms and the presence of those qualities which alone can insure its success. In the first instance, the community must agree to abide loyally by the decisions of the majority; without this initial self-subordination no democratic society is possible. Further, the community must be sagacious in the choice of representatives; the whole body of the members must exercise a constant watchfulness over the administration of their affairs, combining this watchfulness with trust and generosity towards officials. And, lastly, there must exist within the community men fitted by energy, enthusiasm and integrity for public service.

. . . And it is a significant fact that Lancashire, the birthplace of the Cooperative movement, the stronghold of Trades Unions and Benefit Societies, the foremost county in municipal enterprise, earned for itself, in the 18th century, the unenviable reputation of being the land of chapels, Sunday-school teachers, and heterodox ministers—a prevalence of religious disorder attributed, by ecclesiastical authority, to the innate “cussedness” of Lancashire folk, “who loved to manage their own affairs in their own way.”

But if the social isolation and economic self-sufficiency of the family in the 18th century proved barren of associative effort, except among dissenting congregations, the industrial revolution, sweeping over the staple industries of the kingdom, levelled all barriers and opened out channels of communication to the democratic organization of labour. The massing of men under the factory system, the marshalling of the whole army of workers under one code and one discipline, the common stigma attached to the wage-earning class as “dregs,” “scum,” “mob,” “swinish multitude,” the legal emancipation of the employers and their disavowal of any moral responsibility for the condition of their workpeople, together with the infamous laws against the free combination, emigration and settlement of the workers—all these circumstances lent the opportunity and supplied the stimulus to the formation and development of political, trade union and cooperative association. In these troubled and excited times of State trials, sedition bills, suspension of the Habeas Corpus Act, of secret committees of both Houses on the state of the country, while Owen was declaiming on his new system of society to aristocratic audiences, and Cobbett orating to the journeymen and labourers of England, Wales, Scotland and Ireland on the cause of their pres-

ent miseries—in these dark days, when everything tended, according to Lord Brougham, to the complete separation of the higher and lower orders, leading inevitably to anarchy and despotism, a new spirit of fellowship was springing up throughout the length and breadth of the land, leavening the common lump of men, and initiating an intellectual and moral fermentation, which discovered itself in diverse and manifold forms. Here the spirit of association clothed itself in Hampden Clubs, Spencean Societies, and militant Trade Unions, covering risks and enlightening proceedings with oaths and symbols worthy of the repression and superstition of the middle ages; now this same spirit disguised itself in the respectable garb of Sunday school classes, mutual improvement clubs and benefit societies, or here and again it adopted the mild industrial type of the early corn-milling and baking societies, of the General Redemption Societies and the Union Shops. As students of the Cooperative movement, it is with these last, and at that period, least important manifestations of the spirit of association, that we are directly concerned. But we should miss the national significance of the Cooperative movement, the spiritual meaning of the future grocer's shop, if we failed to realize that all these manifold forms of democratic association, with their various ways and different methods, had one aim and one motive—the same aim and the same motive, curiously enough, described as the cause of the mediæval communes: the desire on the part of a majority to regulate and to limit the exploitation of their labour by a powerful and skilled minority.

The Cooperators, inspired by Robert Owen, added to this self-assertive instinct of an oppressed but energetic people a high ideal of communal life, a tenderness for vested rights, a conception of social service and social welfare wide enough to include honest citizens of all ranks. Nevertheless, whether we examine into the petty attempts and unnoticed failure of the early Cooperators, or whether we watch the great sustained effort of the modern Cooperative movement, it will be borne in upon us that Cooperators have succeeded or have failed exactly in so far as they have accepted or denied the principles, possessed or lacked the qualities, essential to all forms of democratic self-government.

A detailed account of the early working-men's associations for trading and manufacturing purposes has been given by Mr. Benjamin Jones (manager of the London Branch of the Cooperative Wholesale) in a series of admirable papers, entitled "Short Studies

of Cooperative Production," published in the *Cooperative News* of last year. These papers consist largely of well-selected extracts from contemporary MSS. or printed records, supplemented by the personal knowledge of the writer and his fellow-cooperators of the traditional history of those societies which have survived for the better part of a century.

. . . First, let me remind the reader that there are two recognized forms of Cooperative Association—associations of consumers intent on securing low price and good quality in articles of common use by eliminating the profit of the trader and manufacturer, and associations of producers anxious to obtain the full value of their labour by absorbing the profit of the employer.

. . . In the course of my narrative the reader will perceive that the real distinction between an association of consumers and an association of producers is not a matter of "distribution" or "production," but resolves itself into a question of administration; it rests on two opposing, and mutually exclusive theories of representation or methods of government, to be described later on. In this and the two succeeding chapters, I shall deal principally with the first class of Cooperative societies, I mean with associations originated by bodies of consumers. For these associations alone show the principle of growth and continuity; and form the backbone of the two Cooperative movements of 1828-34, and of 1844 and onwards. Associations of producers, on the other hand, start up, in all places and at all times, arise and disappear like crops of mushrooms, with perplexing rapidity and frequently without trace. I shall attempt, in a separate chapter, to catch up these broken ends of Cooperative enterprise, and give the reader some general idea of the variety of their constitution and some conception of the leading causes of their constantly recurring failure.

Now the earliest Cooperative Societies of British working-men, of which we have any clear record, were isolated corn-mills and baking societies—associations of consumers originating in a growing resentment among the poorer classes against the extortions of millers and bakers through monopoly prices. These societies were, however, primarily engaged in a manufacturing process; at the outset, therefore, the common classification into distributive or trading societies, representing the interests of the consumer on the one hand, and productive or manufacturing societies formed in the interests of the producer on the other, is proved untenable.

. . . Generally speaking, the commercial tactics of these pre-

Owenite associations were ready money and cost prices; such profits as were unavoidable in the process of retailing being added to the capital or divided among the shareholders in money or in kind. Few and far between, these purely commercial associations were apparently confined to the skilled artisans of seaport towns. Their sole object was the better gratification of the wants of a small body of consumers. As such they formed useful points of resistance to the greed of the private trader; but they had no appreciable effect on the aims or actions of any considerable section of the working class.

. . . The ulterior objects and practical methods of a Union Shop are thus described in this organ of the Brighton Society:—

It is capital we want. . . . We must form ourselves into a society for this special purpose; we must form a fund by weekly deposits; as soon as it is large enough, we must lay it out in various commodities, which we must place in a common store, from which all members must purchase their common necessities, and the profit will form a common capital to be again laid out in the commodities most wanted. Thus we shall have two sources of accumulation—the weekly subscription, and the profit. . . . The society will be able now to find work for some of its own members, the whole produce of whose labours will be common property. . . . As the capital accumulates still farther, it will employ all the members, and then the advantages will be considerable indeed. When the capital has accumulated sufficiently, the society may purchase land, live upon it, cultivate it themselves, and produce any manufacturers they please, and so provide for all their wants of food, clothing, and houses. The society will then be called a community. . . . But if the members choose to remain in a town, instead of going into a community, they may derive all the advantages from the society which I have stated.

In spite of these far-extending views, the Brighton Cooperators began humbly and completed their corporate existence in the embryo form of a general Coop. Starting with the modest capital of £5, in the course of the first year they had raised the weekly sales to £40. Later on, we hear that their success in accumulating capital became a cause of discord; the majority wished to realize their original intention and become communists, while a more individualist minority departed with their share of the capital, and being presumably fishermen, built themselves a fishing-boat at a cost of £140, out of which venture they realized a weekly profit of £4. Encouraged by the success of the Brighton Cooperators, or impelled by the same idea, working-men in other parts of the country

started shops of a similar character. Through accumulated profits many of these Cooperative societies reached the further stage of employing their own members in the manufacture of textiles, boots and shoes, clothing and furniture. Mr. Holyoake, who has personally investigated the rules of these early societies, tells us that they were frequently prefixed by a long address on the moral obligations of Cooperators, and are always characterized by careful attention to the moral conduct of members. Profane language is prohibited, vicious members are to be expelled, no persons of immoral character are to be admitted; on the other hand, no one is to be refused on account of religious views; while societies held studiously aloof from political and trades union organizations—a neutrality which placed them in a position antagonistic to great and rising powers. Special societies were more rigid in their discipline; Preston expelled members who spoke disrespectfully of the goods of the society; Runcorn insisted that applicants should not only be virtuous, but in good health and not under sixteen or over forty years of age; while many societies showed their masculine spirit in refusing to allow females to withdraw their money without their husbands' consent; others their desire for domestic concord by insisting on the wife's permission before admitting the husband as a member. But, generally speaking, the spirit of these early Cooperators is prettily expressed by the text prefixed to the rules of the Warrington Society, "They helped every one his brother, and every one said to his brother, 'Be of good cheer.' "

It is a curious fact that at first Robert Owen, according to William Lovett, looked coldly on these trading associations, and declared that mere buying and selling formed no part of his grand Cooperative scheme; but discovering that the humble efforts of these amateur shopkeepers were inspired by faith in his new system of society, he became an ardent advocate of their shops; and it was partly to provide a market for the surplus manufacture of the more enterprising of these societies that he instituted the Gray's Inn Labour Exchange in 1833.

. . . By a series of object lessons or practical experiments, extending over half a century, costing some millions of money and the sacrifice of the enthusiasm and intelligent efforts of thousands of disinterested workers, modern Cooperators have been taught sound economics. They have finally abandoned Thompson's theory of value and owe their success to a full realization of *utility* as a determining factor in value—to a deliberate attempt to affect a

correspondence between human faculties and human desires. Through the stores and the Wholesale Societies they produce for a known market; by quarterly meetings and buyer's conferences they bring into closely organized relations the managers and salesmen of large stores (understanding the wants of their customers) and the directors and managers of productive departments (who undertake to provide for them).

. . . Towards the end of 1829, the significance and extent of the Union Shop movement is attested by an enthusiastic article in the *Quarterly Review*. In 1830, we are informed in a Report to the British Association for promoting Cooperative knowledge, that 170 Union Shops were scattered over the country: in 1832 we are told by the same authority the number of Cooperative societies had increased to 400 or 500. In the meantime, however, the parent Union Shop in Brighton had disappeared, and in the course of 1833 and '34, the whole movement collapsed. Some isolated Union Shops, started by tenacious Scotch and north-country Co-operators, survived the general disaster, and were discovered a generation later by the pioneers of the second Cooperative movement. These associations, like the Devonport mill and Sheerness store, the Hull Anti-corn mill, and some of the Scotch baking societies, point with pride to their ancient descent, and may be termed the aristocracy of blood amid the plutocracy of the modern movement.

But these survivors of the Ante-Rochdale type by no means constitute the total effect of the first Cooperative movement. Seeds of Cooperative faith scattered far and wide by these enthusiastic disciples of Owen in the minds of the working class, and buried for a time beneath the rising Chartist agitation and the more dramatic methods of Trade Unions awaited political disenchantment, industrial truce, and trade revival, to yield fruit after their own kind.

CHAPTER II

THE SECOND COOPERATIVE MOVEMENT: ECONOMIC SELF-DEPENDENCE

THE CONSUMER EMERGES¹

CHARLES HOWARTH AND THE ORGANIZATION OF THE
ROCHDALE SOCIETY OF EQUITABLE PIONEERS

THE story of the Rochdale Pioneers is the Book of Genesis in the growing saga that will make the Bible of the world-wide consumer economy which, bar accidents of fate and fortune, the movement they started is likely to culminate in. First told circumstantially by George Jacob Holyoake in 1857, under the title, *Self-Help for the People: The History of the Rochdale Pioneers*, it has been variously repeated in all the languages and all the countries of Christendom, as poignant, as moving and as triumphant as any parable a Testament ever contained.

The factories of Rochdale wove flannels. In 1843 they prospered. Trade was brisk, and the underpaid and overworked weavers struck for higher pay. They lost the strike. Many were black-listed; those reemployed had to accept a cut instead of a rise. At the shops credit came to an end; in the cottages was the beginning of despair. Such was the frame of reference for all discussion of their situation by the workers of Rochdale. Regularly, on Sunday afternoons, a number of these came together in the Temperance or Chartist Reading Room. Regularly they argued, according to their sectarian faiths, "how best to improve the condition of the people."

No doubt all the prevailing sects were represented—Owenites, Chartists, Teetotalers, Christians. No doubt all the doctrines and enterprises current were canvassed. Dr. King's stores, Owen's "villages of cooperation," his workshops and his labor exchanges, the

¹ Quoted, with permission, from *The Decline and Rise of the Consumer*, by Horace M. Kallen, D. Appleton-Century Co., New York, 1936, pages 155-196.

Charter, sobriety, God—the debaters were aware how, in one place or another, each had been tried, and had brought the experimenters little else than the increase of knowledge which is the increase of sorrow. Perhaps discussion centred on the idea of a store—James Smithies, one of the original Rochdale Pioneers, owned a bound volume of Dr. King's *Cooperator* which he later placed in the society's library. The worker's relation to the shopkeeper was as critical a problem as his relation to the employer. . . . Credit, bad management, the readiness of the member for convenience or other causes to trade with the competitors of their own stores, had destroyed the Kingsite shops. And yet a shop would so obviously help in the day-to-day crisis of sufficient food. How overcome the well-known and apparently insurmountable difficulty?

To Charles Howarth belongs the credit of providing the answer. . . . He agitated for a shorter working day, even going to London to lobby for the Ten Hours' Act. He figured as a strike leader. He played a conspicuous part in Rochdale endeavors to embody the Owenite dream. His mates called him "the lawyer." He had drawn up the rules for an earlier "cooperative shop" in Rochdale's Toad Lane, a shop that had failed in 1835. The difficulties of cooperative shopkeeping were by no means unfamiliar to him, and the tale tells how he spent one long sleepless night racking his brain for a way to overcome them. That the business must be conducted on a strictly cash basis anybody could see. This was obvious. But how overcome the competitive advantage of the credit-giver? How meet the competition of lower prices elsewhere? How keep advantage commensurate with use? In the earlier stores, profits, if there were any, were divided in ratio to investment. The increase from use did not accrue to the user but to the owner or producer. Suppose this situation were reversed. Suppose that the investor were to receive interest at a fixed rate, say 5 per cent, and that the profits were turned back to the customers in proportion to their custom? This would provide a defense against all competition and an incentive to the continuous use of the store. The member is held by the fact that the more he spends, the more he gains. "Dividend on purchase" would redress the balance and give the cooperative store its fighting chance.

The device of dividing profits on purchases in proportion to each member's trade was what Charles Howarth brought as a new solution for the old difficulties of cooperative trading. Research has

since shown that it had been tried before: it is not, however, its occurrence which makes a device significant but its consequences. As Howarth's idea the device had consequences at last.

But a store could not be enough. Alcoholism was too prevalent. Housing was abominable. There was always unemployment to deal with and poverty always to overcome. There was always the dream of freedom and security. The twenty-eight workers of Rochdale who organized the Society of Equitable Pioneers meant to realize the dream and to conquer the problems. They meant to establish an Owenite village of cooperation. Here are their objects as finally drawn by Charles Howarth.

OBJECTS OF ROCHDALE PIONEERS

The objects and plans of this society are to form arrangements for the pecuniary benefit, and improvement of the society and domestic condition of its members, by raising a sufficient amount of capital in shares of one pound each, to bring into operation the following plans and arrangements.

The establishment of a store for the sale of provisions and clothing, &c.

The building, purchasing or erecting a number of houses, in which those members desiring to assist each other in improving their domestic and social condition may reside.

To commence the manufacture of such articles as the society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.

As a further benefit and security to the members of this society, the society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment, or whose labour may be badly remunerated.

That as soon as practicable, this society shall proceed to arrange the powers of production, distribution, education, and government, or in other words to establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies.

That for the promotion of sobriety, a temperance hotel be opened in one of the society's houses, as soon as convenient.

The members are to raise capital in shares of one pound each in order to establish a store, provide themselves with better houses, give work to the unemployed through manufactures and farming, open up a temperance hotel, and magnificently "proceed to arrange the powers of production, distribution, education and gov-

ernment" or, in other words, to "establish a self-supporting home colony of united interests, or assist other societies in establishing such colonies."

Among these objects the store is the first item. But it is first not because it was the most important in the minds of the twenty-eight, but because it met the most immediate need and was the least difficult and most practicable end to bring about. The store was to be only the first step in a wide program of self-help whose other steps embrace the whole Owenite intent and plan. The store was to be the beginning, and for it rules were provided, *viz.*:

1. To sell goods at prevailing local prices.
2. Restriction to a fixed rate of the interest upon capital—this interest to have first claim upon the profits.
3. The distribution of profits (after meeting expenses and interest charges) in proportion to purchases.
4. No credit—all purchases and sales to be paid for in cash when the goods were handed over.
5. Both sexes to have equality in membership rights.
6. Each member to have one vote and no more.
7. Regular and frequent meetings to be held for the discussion of the society's business and of receiving suggestions for improving the society's welfare.
8. Accounts to be properly kept and audited and balance sheets to be regularly presented to the members.

THE TREMENDOUS IMPORT OF RULE 3

Charles Howarth also drew the rules. A cursory reading will show that in the background of his mind was always the failure of the earlier stores, and that failure was to be made impossible this time. Each item—fixed rate of interest on capital, sales at the market price, distribution of profits in proportion to purchases, parity of men and women, one man, one vote, regular and frequent meetings, proper bookkeeping and audit—was determined by a corresponding earlier cause of failure, and devised to overcome it. Neither Howarth nor his twenty-seven fellows of the Equitable Society had any inkling that with Rule 3—the rule prescribing the distribution of profits in proportion to purchases—they had added something which would dissipate their objects and transform their goal. How could any of them see that Rule 3 added just that difference, that Darwinian variation, which would develop, in the struggle for survival, into a new species of social

economy, an economy of the consumer with the vitality, the adaptability, and the urge, to displace and atrophy the prevailing producer economy? And how indeed could anybody else see this, in a producers' world, where hearts and minds were bound up in production? What other finality of freedom could any one then have looked to than an Owenite "self-supporting home colony of united interests"? The members of the Society of Equitable Pioneers were as unconscious of the import of their enterprise as Columbus. They made the beginning of a Copernican revolution in the credit-enterprise economy of the world, and they thought that they were only easing and smoothing and freeing the old productive round.

And, burdened as they were, it was enough. They had all they could do to start the store. It took them nearly a year to bring together the £28 or less, collected twopence a week, then threepence, by a committee of volunteers. Ten pounds of the total had to go for a year's rent of the former storeroom of a Pioneer regiment in Toad Lane, £4 more had to go for fixtures and sundries. They had only £14 to spend for the few items of groceries—flour, butter, sugar and oatmeal—with which they began. Able to buy only smaller quantities, they had had to pay higher prices, and therefore to charge higher prices than their competitors. They had had to meet and to live down the ridicule which every innovation, no matter how like an early straw hat perennial and familiar, arouses. Taking down the shutters, that historic evening of December 21, 1844, had been an anxious and dramatic moment; in which Samuel Ashworth acquitted himself like a Pioneer;² and he was courtesy and patience itself, when as unpaid, volunteer counterman he regretted to inquiring callers that the store did not yet stock goods which the callers knew it did not stock when they asked. In the face of the convenient nearness of competitors, of their lower prices, their bribes and tips, it was difficult to hold the loyalty of anxious mothers and complaining wives. But their loyalty was held. At the end of three months it was possible to pay Ashworth for his labor. Slowly the counters were filled with goods of different sorts; the two evenings of shopkeeping became three and four and five. The payment of the first dividend on purchases was the turning point. Then the store was on its way indeed.

But in the eyes of its founders, it figures as a means to cooperative production, ever. In 1850, hoping to improve the quality of

² Later research makes "Owd Face" William Taylor the hero. He was killed a few years afterward in an explosion.

the flour they sold their customers, they took shares in a cornmill which a small group had started as a cooperative enterprise; a little later, to save their investment, the store lent it money. But the tale of the cornmill was from the first the typical tale of producers' cooperation: drunken or lying or treacherous or incompetent managers, inferior grains, bad flour; bad blood among the members, bad goods in the store; disgruntlement at the consumer's table. Not only did the mill seem likely to go under but to take the store with it. Rumors spread among the members. Some had left their purchase-dividends to accumulate. Others had lent their savings to the store at 4 per cent. There was something like a run which competitors did not fail to encourage. In the end the stability of the store was more than vindicated. The Pioneers took over the cornmill and made it a solvent and profitable enterprise. To do so, they had to change it from a producers' society which the store was to serve to a producing plant which would serve the store. (The mill was taken over by the Cooperative Wholesale Society in 1905.) Nevertheless, the society failed to read the meaning of its own record. In 1853, John T. W. Mitchell, then twenty-four years old, joined the Pioneers. He is listed among the leaders who in 1854 were promoting the Rochdale Cooperative Manufacturing Society. The society was to manufacture cotton, and the factory was to be a self-governing workshop. But the cotton was to be produced, not for the members of the society, but for sale in the open market, and the profits were to be equally divided with the rank and file producers. Few among the 300 of these were also among the 1,400 shareholders. As profits came in, discontent with the division grew. The intent of producers' cooperation, precarious at best, was displaced by the intent of the ordinary joint-stock company. Since, to the shareholders, the profit-sharing with the employees seemed preeminently unfair, profit-sharing was, by 1862, abandoned. Early in 1934, the Manufacturing Society, practically a joint-stock company with slightly philanthropic features, was dissolved, a casualty of the post-war depression.

SOME CONSEQUENCES: HOLYOAKE'S OBSERVATIONS

The success of the Rochdale store aroused quick imitation. The north of England and the Scottish midlands, where the Owenite enterprises had grown before, saw a new birth of cooperative shops. By 1851, there were about 150 of them each with from 50 to 100

members, and additional ones were being announced continually. Producers' societies were hardy perennials; they claimed the support of the stores and received it, both in share capital and in custom. The original Pioneer store in Toad Lane set up branches in other parts of Rochdale. . . .

Buying was early a vexing problem for all the stores. In the beginning, the principle of cash transactions was a handicap. It was a deviation from custom, and a sort of degradation in a country where the best practice of the best people was to deal entirely on credit, and debt—to tradesmen, of course—was a sign of quality among the well-born and of depravity among the populace. When cash was scarce it was not possible to buy in quantity, and the private shopkeeper buying on credit enjoyed a competitive advantage. In those days goods cost the cooperative stores more. The costs were increased by the fact that cooperative buyers were competitive not only to private buyers, but to one another; that on occasion, sellers or competitors could bribe them, that often they were incompetent. The need for some sort of wholesale organization made itself felt almost at once, and the endeavors to set one up were manifold. The record is neither clear nor consistent, but it signalizes the need, the anxiety and mutual suspicions which delayed meeting the need, and the final adequate action.

Already in 1850, the Pioneers had set up a wholesale department of their own, to supply members requiring large quantities, and hopeful of serving stores, wrote Holyoake in 1857, "whose small capitals do not enable them to buy in the best markets, nor command the services of what is otherwise indispensable to every store—a good buyer. . . . The wholesale department guarantees purity, quality, fair prices, standard weight and measure, but all on the never-failing principle, cash payment." By this time the store had added to the groceries with which it began five other departments: "drapery, butcher, shoemaking, clogging, tailoring." It had remodeled the warehouse at Toad Lane: "Every part has undergone neat refitting and modest decoration. . . . One room is handsomely fitted up as a newsroom. Another is neatly fitted up as a library." The newsroom is free to members, the library to everybody. It contains "2,200 volumes of the best, and among them, many of the most expensive books published. The costs are defrayed out of the Education Fund." . . . Two and a half per cent of all the profits had been segregated for education. From

1850 to 1855, the society had maintained a school for young persons "at the charge of twopence a month."

Since 1855, a room has been granted by the Board, for the use of from twenty to thirty persons from the ages of fourteen to forty, for mutual instruction on Sundays and Tuesdays. . . . Business is now conducted across the street in a new warehouse, bought in 1853, and in rented houses adjoining. . . . Their warehouses are everywhere as bountifully stocked as Noah's Ark, and cheerful customers literally crowd Toad Lane at night, swarming like bees to every counter. The industrial districts have not such another sight as the Rochdale Cooperative Store on Saturday night.

But it is not [Holyoake continues] the brilliancy of commercial activity in which either writer or reader will take the deepest interest; it is in the new and improved spirit animating this intercourse of trade. Buyer and seller meet as friends; there is no overreaching on one side, and no suspicion on the other. . . . These crowds of humble working-men, who never knew before when they put good food in their mouths, whose every dinner was adulterated, whose shoes let in the water a month too soon, whose waistcoats shone with devil's dust, and whose wives wore calico that would not wash, now buy in the markets like millionaires, and as far as pureness of goods goes, live like lords. . . . They are weaving their own stuffs, making their own shoes, sewing their own garments, and grinding their own corn. They buy the purest sugar and the best tea, and grind their own coffee. They slaughter their own cattle, and the finest beasts of the land waddle down the streets of Rochdale for the consumption of flannel-weavers and cobblers. (Last year the Society advertised for a Provision Agent to make purchases in Ireland, and to devote his whole time to that duty.) When did competition give poor men these advantages? And will any man say that the moral character of these people is not improved under these influences? The teetotallers of Rochdale acknowledge that the Store has made more sober men since it commenced than all their efforts have been able to make in the same time. Husbands who never knew what it was to be out of debt, and poor wives who during forty years never had sixpence uncondemned in their pockets, now possess little stores of money sufficient to build them cottages, and to go every week into their own market with money jingling in their pockets; and in that market there is no distrust and no deception; there is no adulteration, and no second prices. The whole atmosphere is honest. Those who serve neither hurry, finesse, nor flatter. *They have no interest in chicanery.* They have but one duty to perform—that of giving fair measure, full weight, and a pure article. In other parts of the town, where competition is the principle of trade, all the preaching in Rochdale cannot produce moral effects like these.

As the Store has made no debts, it has incurred no losses; and during thirteen years, transactions, and receipts amounting to £303,852, it has had no law-suits. The Arbitrators of the Societies, during all their years of office, have never had a case to decide, and are discontented that nobody quarrels.

Holyoake, being partizan, was naturally more sanguine than less interested observers might have been: yet the most critical could little diminish the brightness of his picture. The difference not only among the Pioneers, but in the whole of Rochdale, between 1844 and 1857, was the difference between slavery and freedom, destitution and security. Other forces were doubtless at work beside the store, but the store was the Great Divide, and the lapse of time, the succession of depressions and wars and depression has not changed its rôle, anywhere in the world.

PROBLEMS OF BUYING AND THE FORMATION OF THE COOPERATIVE WHOLESALE SOCIETY

Bright as was the local scene in 1857, the general situation was anxious, and the Wholesale Department of the Rochdale store had not alleviated it. In the way were the physical difficulties of meeting as well as the natural jealousies and rivalries of independent similar groups, the dislike of the *primus inter pares*. Societies had met in conference after conference, in answer to call after call. Resolutions were adopted, and nothing happened. Buyers were admonished to work together and that somehow didn't help. Under the law, no plan could be devised by which the local societies could own shares in a wholesale cooperative. Finally, in 1861, it was voted to get the law changed, and it took two years to draft the change, to have it seen through in Parliament. The following year, at a conference in Oldham, after Abraham Greenwood and William Cooper, two of the original Pioneers, had presented a plan and an argument, the establishment of a wholesale was voted. In 1863, Greenwood's plan was published in the *Cooperator* and submitted to public discussion. Soon after representatives of the organizing societies met in Rochdale to decide on the rules. It was agreed that only cooperative societies could be shareholders, that shares should be five shillings and transferable, that the societies should subscribe to as many shares as each had members and that one shilling of the price should be paid in at once.

Among the society delegations participating in this decision were representatives from Dublin and from London. In London a

parallel effort to establish a wholesale had been made along contrasting but supplementary lines. London was the headquarters of the Christian Socialists' Society for the Promotion of Workingmen's Associations. Such associations as there were had been competing against each other in the market. A unified sales-agency was obviously indicated. That such an agency might seek a market in the cooperative stores was also obvious, and this meant creating more such stores, which were few in London. That the agency might buy for the latter and sell for the former was a natural conclusion. Van Sittart Neale had seen in Paris what troubles may come from competition between many producers' societies. In 1851, he drew up a memorandum for a general union of Workingmen's Associations and later a scheme for the formation of cooperative stores, and devoted himself in person to establishing a Central Cooperative Agency. He raised the £9,000, and as the law necessitated, set up a trust with himself and Charles Hughes as trustees; inaugurated the agency under the trade name of Woodin, Jones and Company, and put in Lloyd Jones among the managers.

Lloyd Jones was the contact man between the Christian Socialists of London and the south and the cooperatives of the north. He had attended conferences on the creation of the wholesale at Bury and elsewhere, and it was to be his task to "sell" the agency to the old stores and to organize new ones. Of the profits of the enterprise, if any, one-fourth were to go into a reserve fund, one-fourth to bonuses for employees, the rest for organizing new societies. The Society for the Promotion of Workingmen's Associations dissociated itself from the agency as outside its promotional purpose. In the six years of its existence it was very active and very expensive. Fifteen societies availed themselves of its services during the first year; during the second it undertook manufacture in order to safeguard purity and quality; and its business grew. But costs increased more rapidly than business, and income could not catch up with overhead. In 1857, Neale felt forced to wind up the enterprise.

Meanwhile, the Christian Socialists, desirous of utilizing the new freedom obtained through the Industrial and Provident Societies Act of 1852, became more tolerant of the cooperative store and united with cooperators of other sects in endorsing the creation of a wholesale society to supply goods and to effect exchanges between producers' societies. Alternative plans of organization were considered, but nothing actually happened until after the

Rochdale meeting of 1863. Then the London Association for the Promotion of Cooperation, which had recently come into existence, called a conference to discuss creating for the south a wholesale like that of the north. The North of England Wholesale Industrial and Provident Society, Limited, had been organized in Manchester, on October 10, 1863, by forty-odd societies, who subscribed fourteen thousand shares. Abraham Greenwood had been chosen president, James Smithies, treasurer. The Scottish Wholesale Society followed in 1868.

The organization of the cooperative wholesale societies may be compared to the adoption of the Constitution of the United States. Societies joined it as states added themselves to the Union and many availed themselves of its services before they took on the obligations of membership. By first intention, the wholesale was to engage only in trade; to buy, not to produce—production was to remain the domain of producers' societies—and it was to be a favoring if not favored customer of such societies. In relation to private business, however, its existence shifted the competitive advantage to the side of the cooperatives. The magnitude of the sums at its disposal made cash more valuable than credit; the more it bought, the less, proportionally, it paid; its services gave the weakest society the same advantage as the strongest: making available to it, and to its members through it, the best quality at the lowest rates, the surest information in the shortest time.

DEVELOPMENT OF THE COOPERATIVE UNION

. . . Efforts to organize boycotts were perennial: in 1872, *The Grocer* listed eighty-four firms that had agreed to have no dealings with the cooperatives. Parliamentary pressure remains a permanent menace: the endeavors to accomplish by legislation what "business-methods" have failed to accomplish are renewed constantly.

Discrimination against the cooperatives was among the influences leading to the creation of the Wholesale Society. It was equally a factor in the creation of the Cooperative Union with its cooperative congresses, and especially and significantly in forcing the wholesale to enter the field of production. But the problems of clearing up misrepresentation, answering libels, overcoming prejudice, presenting the principles and methods of the co-operators to the public, advancing their interests in the market place and on the forum were problems of defense first and of growth

afterwards. There were certain primary problems of growth whose solution could hardly have other forms than deliberative union and productive enterprise. From the publication of Holyoake's book in 1857, the Pioneers had been flooded with inquiries from individuals and groups hopeful of cooperative salvation. . . . In the course of the work itself problems of technique and attitude kept arising: there was need of an interchange and record of experience, of data and observations to be made available to employees in the cooperative services even more than to the members themselves. . . . In addition, the contemporary trades-unions had come up. A form of producers' association somewhat tangent to cooperative thinking and propaganda, the trades-unions had grown to power in the national economy, and it was necessary for the cooperatives to find a general plan and method of living with them in harmony. . . . And there were always the requirements of the law to meet and the restrictions of the law to overcome. Correct legal form was indispensable to legality, and cooperators often needed help with this, and got it, not a little as free service, from Neale, Ludlow, Hughes and other lawyers among the Christian Socialists. Every step forward in the movement required new legislation, and the drafters and engineers of the new legislation were again these Christian Socialists.

Men of wealth, education and sensibility, trained in the learned professions, who had freely chosen a cause which cut them off from their own kind, the Christian Socialists supplied to the cooperative movement an intellectual and spiritual distinction, a social influence and a professional skill which trade-unionism then still lacked. They were the sponsors of the first of the Industrial and Provident Societies Acts which liberated the movement from the paternalist restrictions of the Friendly Societies Acts of 1829, 1834, under which the Rochdale Pioneers had begun their adventure, and of 1850, under which they had started their wholesale department. . . .

The societies recognized the devotion and the generous goodwill of Van Sittart Neale and his fellows, the lawyers, and, in a somewhat tangent sense, the prophets of the movement. But they began to feel that here, too, they ought to be doing these things together and for themselves. Many recalled the congresses of Owen's days, the social missions and the missionaries. In 1865, the veteran cooperator William Pare began an agitation to revive the congresses. He was joined in due course by Lloyd Jones,

E. T. Graig and by Edward Owen Greening, a Manchester wire manufacturer, who advocated and practiced profit-sharing and figured prominently as a member of the congresses of the Social Science Association, and as a defender of American abolitionism. His connection with the cooperative movement dated from 1856. He became perhaps the most logical and persuasive of the advocates of producers' cooperation, copartnership and profit-sharing. And the Christian Socialists though no longer alive as a body of course were only too pleased to participate in the congress agitation. Conference followed conference, and that of the spring of 1869 elected an arrangements committee which secured the endorsement of the northern societies, set a date, raised a fund and enrolled a committee of sponsors. These included, besides the representatives of all schools of cooperation, representatives of the trades-unions, leaders of the movement abroad, and distinguished national figures like John Ruskin and John Stuart Mill.

THE COOPERATIVE CONGRESS

In May, 1869, the first Cooperative Congress was held in London. It sat for four days. Pare, Ludlow and Abraham Greenwood read papers. Pare suggested the creation of a British and Foreign Cooperative League. Among its tasks were to be the adoption of model rules for the organization and management of cooperatives, assembling and providing technical information and advice on all matters affecting the character and conduct of cooperatives and the confederation of cooperative societies; holding annual congresses, and the like. The second congress was held the following year in Manchester. This created a Central Board and laid down a basis of subscription for constituent societies and recommended the appointment of a permanent secretary, but not enough money was raised to make an appointment possible. Union and congress remained in a somewhat ambiguous and tentative state until 1873, when Edward Van Sittart Neale proposed a reorganization which embodies the present structure of the British Cooperative Union. Neale was chosen permanent secretary and the Union and its congresses were at last definitely launched.

It was natural that the Union should develop into the great organ of opinion and policy of the British Cooperative Movement. In structure it is a confederation of the cooperative societies of the United Kingdom. It calls an annual congress which elects a Central Board of seventy members. These members are drawn from

nine geographical regions into which Great Britain is divided for purposes of cooperative administration. "An Executive Committee of ten representatives controls the work of the departments and committees of the Cooperative Union. Other committees of the Cooperative Union are the Joint Parliamentary, the Educational Council and Executive, National Committee of the Cooperative Party, the Joint Trade and Propaganda Committee, the Joint Committee on Technical Education, and the Trade Associations." "The Glasgow Congress of 1932 also established a National Co-operative Authority. The Authority comprises the Executive Committee of the Cooperative Union with representatives of National Federations, the C.W.S., the S.C.W.S., the Cooperative Party, the Cooperative Productive Federation, and the National Co-operative Publishing Society. The Authority gives a lead to the whole movement on questions of national policy." (Edward Topham, Editor of Publications, Cooperative Union, *Services of the Cooperative Union, British Cooperation Today*, British Cooperative Union, p. 83.)

. . . The dogma that the producer is paramount was a part of the funded mentality of the cooperative movement. It was Carlyle's premise. It governed William Morris and John Ruskin. Even John Stuart Mill, observing the cooperative movement freshly from outside, could infer from it no different prospects for the producing multitude than their organization into producers' co-operatives. Writing in 1865, of the "probable future of the labouring classes," he declares, "the form of association . . . which, if mankind continue to improve, must be expected in the end to predominate, is not that which can exist between a capitalist as chief, and work-people without a voice in the management, but the association of the labourers themselves on terms of equality, collectively owning the capital with which they carry on their operations and working under managers elected and removable by themselves." (*Principles of Political Economy*, 6th Edition, Book IV, Chapter VII, Sec. 6.)

When, however, cooperative societies shall have sufficiently multiplied, it is not probable that any but the least valuable work-people will any longer consent to work all their lives for wages merely: and both private capitalists and associations will gradually find it necessary to make the entire body of labourers participants in profits. Eventually, and in perhaps a less remote future, than may be supposed, we may, through the cooperative principle, see our way to a change in society, which would

combine the freedom and independence of the individual, with the moral, intellectual, and economical advantages of aggregate production; and which, without violence or spoliation, or even any sudden disturbance of existing habits and expectations, would realize, at least in the industrial department, the best aspirations of the democratic spirit, by putting an end to the division of society into the industrious and the idle, and effacing all social distinctions but those fairly earned by personal services and exertions. Associations like those which we have described, by the very process of their success, are a course of education in those moral and active qualities by which alone success can be either deserved or attained. As associations multiplied, they would tend more and more to absorb all work-people, except those who have too little understanding, or too little virtue, to be capable of learning to act on any other system than that of narrow selfishness. As this change proceeded, owners of capital would gradually find it to their advantage, instead of maintaining the struggle of the old system with work-people of only the worst description, to lend their capital to the associations; to do this at a diminishing rate of interest, and at last, perhaps, even to exchange their capital for terminable annuities. In this or some such mode, the existing accumulations of capital might honestly, and by a kind of spontaneous process, become in the end the joint property of all who participate in their productive employment: a transformation which, thus effected (and assuming of course that both sexes participate equally in the rights and in the government of the association), would be the nearest approach to social justice, and the most beneficial ordering of industrial affairs for the universal good, which it is possible at present to foresee. (*Ibid.*, Book IV, Chapter VII, Sec. 7.)

Mill's view of the method by which industrial democracy might come is, for sufficient reasons, prophetic. His conception of its form and end has been repudiated by events, as well outside of the cooperative movement as inside. Inside, the producers' cooperatives themselves falsified it. Their failure has been attributed to incompetency, to greed, to laziness, to disloyalty. But these qualities are no less manifest among consumer societies than among producers. The fatal defect of producers' societies lies in their nature, not their method and intent. Producers' societies are necessarily self-limiting and exclusive. They are necessarily associations of minorities standing in a competitive relation to each other and to the majority. Cooperative societies of tailors or carpenters or shoemakers may compete with each other for customers, and then they are not different from the individuals or joint-stock companies whose competition partly defines the *status quo*. Or they may con-

federate and amalgamate and then they are not different from the monopolies which determine the rest of the *status quo*. In either case, they are, as Bergson would say, "closed societies," constitutionally unable to do otherwise than to buy as cheaply and sell as dearly as possible. Their associative nature is such that they draw out and accent the very qualities of men to which their failure is attributed. Consumer societies are by contrast "open." They must inevitably lose more than they can gain by shutting any one out; every new addition to their ranks means greater abundance for every one already enrolled. Other things being equal, the association of consumers tends naturally to become an association of all mankind.

The consumers' movement came to the realization of this difference not positively as a deduction from its consciously held underlying assumptions, but negatively in terms of the disillusioning experiences which kept falsifying its underlying assumptions. In accord with those assumptions the wholesale was to be an instrument of trading only. It was to give preference to producers' co-operatives wherever that was possible. It was to help them to be fruitful and to multiply, to the end that the whole national economy might ultimately become a producers' economy of self-governing workshops. From its beginnings, it did all these things. As the capital surplus of the whole movement accumulated, local societies and their members individually as well as the wholesale took shares in the "Working Class Limiteds" which were constantly soliciting investment. When circumstances brought the decision that the wholesale must go into production, the argument against it was that loyalty to the cooperative ideal necessitated organizing cooperative production autonomously—this in view of the fact that often autonomous producers had dealt with the wholesale and the societies on the principle of *caveat emptor*. Considerations of the purity, the quality and the measure of the goods sold to the members nevertheless made productive undertakings indispensable. The decision was on all sides recognized as momentous: "I felt," wrote William Pare, "that we had passed the Rubicon." And across the Rubicon the old ideal held. Neale and Greening, among others, warned of the danger of "joint stock capitalism," and pressed, failing "co-partnership," for a regular bonus to the employees of the wholesale's factories. Learning the manufacture of biscuits, blankets, boots and shoes and sweets—which were the first undertaken—was an adventure in a new dimension, calling

for new habits and new techniques with machines and men—and finally, a new vision of cooperation.

JOHN THOMAS WHITEHEAD MITCHELL AND THE WEBBS

The making of the new vision took some twenty years. Arrayed against it throughout this time were the veteran champions of the old vision—Van Sittart Neale, Charles Hughes, E. O. Greening, Jacob Holyoake, and some new ones, among them Arnold Toynbee and A.O.H. Acland. Leaders to the new vision were John Thomas Whitehead Mitchell—and experience.

Mitchell was a Rochdaler. The only child of an unmarried mother who made a living for him and herself by selling beer and letting lodgings to working-men, he had inward knowledge of both the emptiness and the drudgery of the workaday life. His devotion to his mother amounted to a Freudian passion. It was probably the chief factor in his remaining a bachelor all his life, as her standards and ideals were the prime influences in his developing into a teetotaler and a Sunday school superintendent. Although he was born into a period when child labor was still common—1828—she managed to keep him out of the mills till his tenth year, when he went to work as a piecer in a cotton mill, twelve hours and more a day at eighteen pence a week. His spare time he spent with her, or studying as he could. A flannel manufacturer who persuaded John's mother to let him go to Sunday school gave the boy a job in his warehouse, and in the course of time he grew to be its manager.

In 1867, Mitchell went into business for himself. By that time he had been a member of the Pioneer Society fourteen years and a leader almost as long, and a Sunday school teacher thirteen. He desired, Percy Redfern says, to give himself more fully to his causes and since he could not unless his time were his own, he undertook to sell the product of the "cooperative" cotton factory at Mitchell Hey, which he had helped found. In 1869, he became Rochdale's representative on the C.W.S. Board, and a fortnight later a member of its finance committee. Mitchell had learned from experience with the Rochdale Manufacturing Cooperative Society—which he himself had helped to organize—how much trouble the practice of paying bonuses could make, and as a salesman for a producers' society, so-called, he had learned the advantage which a store, with custom and capital at hand, enjoyed over a shop which "even if it manages to get the capital, had the cus-

tomers to seek." As a member of the wholesale's finance committee Mitchell was called upon to face the problem of what to do about a chairman of the C.W.S. who at the same time held the job of manager in a company which was both selling to the C.W.S. and trying to borrow money from it. When, in 1874, Mitchell was elected to succeed this man as chairman—they kept him at this post from then till his death—Mitchell's deviation from cooperative orthodoxy, though unformulated, had already begun. As Beatrice Potter who later became Mrs. Sidney Webb was first to realize, he learned and taught the primacy of the consumer.

. . . So far as he knew, still of the same cooperative faith as Neale and his comrades, it was Mitchell's duty as chairman of the C.W.S. to protect the interests of the men and women who had entrusted their cooperative fortunes to his leadership. First the producer-cultists had their day in the wholesale, as they had in the congresses to the last. But when failure followed failure, and the collieries and the great engine company near Newcastle in which the wholesale was heavily interested, all crashed and, but for Mitchell's resourcefulness, almost wrecked the wholesale, autonomous producers' cooperatives were finished so far as the wholesale was concerned. Neale and his group took their cause to the congresses and the congresses voted periodically that producers, if not their own employers, should participate in the profits and management of the employing consumers. Nevertheless, by 1880, there were only about fifteen self-governing workshops left, and these not in fundamental factory trades but in the lighter industries in which some vestiges of craftsmanship remained. Neale and Greening organized them in 1882 into the Cooperative Producers' Federation. "Man," Neale told the Derby Congress of 1884, "is a spiritual being, and it is impossible for him to be enthusiastic about the price of tea and coffee"—but quite possible to be enthusiastic about self-governing workshops.

It was at this congress that the Federation held a conference on production. They hoped by means of some sort of union to overcome the problems of financing and marketing, the differential advantage of their competitors, and their own competitive relation to the wholesale both as trader and producer. They set up the Labor Association for Promoting Cooperative Production, dedicated to the propaganda of producer participation in the profits and control of industry both cooperative and ordinary. The Federation and its agencies improved on the past sufficiently to remain stable

and make progress. It has now a membership of about fifty associations, all registered under the Industrial and Provident Societies Act, all paying a fixed interest on loans. The shareholders are the workers. Each has one vote and only one. Each receives a fixed share of the profits over and above his wages, a fixed interest on his investment, and participates in the management. The societies are members of the Cooperative Union. Their central bodies make propaganda for their cause, manage a loan department which finds them capital, etc., etc.

DIFFUSION AND VARIATION OF COOPERATIVE SPECIES

. . . . The diffusion of the Consumers' Cooperative Movement in Europe followed soon after the publication of Holyoake's *History of the Rochdale Pioneers*. Holyoake himself had close acquaintances among the political refugees of all the European states who crowded England after 1848. His story of the Pioneers was early translated into French and in due course the essential principles of their system became part of the intellectual equipment of continental Europe. The idea of cooperation was of course not new. The Fourierist propaganda had reached everywhere and shops and colonies endeavoring to embody the principle of Fourier were to be found in most European countries. The Rochdale plan was grafted on the Fourierist growth. To persons like Lasalle, in Germany, with his grandiose schemes of national organization, it seemed trivial; Lasalle stigmatized it as "shopkeeping," and to Marx and the Marxists it seemed entirely irrelevant.

In a certain sense cooperation may be said to have followed the flag of industry. The Rochdale rule moved as industry grew, and the order of succession in the cooperative movement in Europe follows the sequence of industrialization in the countries of Europe; but prevailingly agricultural countries found it even more a way of salvation.

It is not without significance that the earliest societies were in the order of succession, those of Switzerland, Denmark and France. They there developed between the sixties and the seventies, and in the course of time societies were organized in Italy, Germany, Russia, Finland and the Scandinavian countries, the South Americas, India, Palestine, Japan and China. The United States had had the benefit of visits from Owen and Holyoake—Horace Greeley printed the first foreign edition of Holyoake's book—and

societies kept appearing and disappearing from the foundation of Owen's New Harmony, on.

The story of the consumers' cooperative movement in each country follows the same general line as in England. Its turning points are the alertness and devotion of some individual leader, the climate of opinion, the immediate social and economic situation, and a generally favorable attitude of government. Switzerland, Denmark, Finland and Italy were prevailingly agricultural countries and have remained so. The consumers' movement in those countries was primarily a movement of small freeholding peasantry. In France, Germany and Belgium it followed the line of industrialization and its development has, on the whole, been coincident with the growth of industry.

As the movement spread, modifications of the classical Rochdale type arose and established themselves. These modifications are consequences of the intellectual climate, the spiritual attitude, and the social frame of reference of each country. Charles Gide, who has written the standard study of the morphology of cooperatives, distinguishes three types of consumers' cooperatives—the individualist, the socialist, and what he calls the true cooperative type. The individualist type, he says, have no other object than the personal advantage of their individual members. Many of the agricultural cooperative organizations are characterized by this mentality. They allocate profits to capital and divide them in proportion to the number of shares, or, if they do pay a dividend on purchases, only a limited number of the customers can become shareholders; the organizing members keep the control of the societies in their own hands. Others allocate a part of their profits to the executive committees and others may distribute profits but concentrate control. Essentially, these types prevail among producer organizations which have consumer agencies. They are closer in character and intent to the joint-stock company than to the cooperative society.

The socialist types function as a rule in terms of the Marxist conceptions of class and property. To them consumers' cooperation is an instrument in the class war. If they acquiesce in the principle of dividend on purchase, they do so as a matter of tactics and with apologies and explain it away as a means to an end, much as today's Russians explain away their own capitalist and tyrannical methods. They desire and sometimes actually do hold all the earnings of their societies in a common fund which they employ for purposes

of sick benefits, unemployment payments, old-age pensions, medical or legal service, loans and the like, propaganda and education. Sometimes they contribute their surpluses to helping struggles in the "class war," whether industrial or political. The Belgian societies have been conspicuous for their socialist principle and practice.

And finally, Gide describes the differentia of the true cooperative type, the type he finds in England and in France, and ascribes it to the school of Nimes with which he himself was identified. He apparently did not regard the ecclesiastic distinction as sufficient to define a type, and the exclusively Catholic societies, which operate in central Europe especially, did not seem to him to have been worth a separate classification. Yet it is not certain that the ecclesiastical limitation upon membership does not constitute a distinct cooperative type, especially as the ecclesiastic differential is designed to rule out collaboration with cooperatives of another label.

Since Gide wrote, a fourth differentiation has appeared which may be described as the nationalist or autarchic. Imposed on the Italian movement by the Fascists, it there in the course of time became simply an overtone. It has since been imposed on the German and the Austrian cooperatives. In all three countries the cooperatives have been regimented, but, according to Karl Walter, the regimentation in Italy has not destroyed the essential cooperative structure. Mussolini offered cooperation in 1922, "moral support and such protection as will insure its exercise in an atmosphere of freedom," but the freedom is limited by the fact that elected officers must have the sanction of the Fascist party and the audit committee is subject to control by the ministry. Opinions other than Fascist are not tolerated. In Germany the movement has been impounded in "the labor front," and is under the control of an appointee of "the leader" of that "front." Although it is claimed that no change in the cooperative structure has been made or is contemplated, the movement is treated entirely as a tool of the Nazi interest. Something analogous has happened in Austria. The cooperatives are at present prohibited from building new societies, carrying on any propaganda outside of their membership, or otherwise giving the private trader cause to complain.

Other differentia turn on the voting structure of federations and wholesales and on the relation to the general market. In Finland, for example, the societies have broken up into two federations. The older is organized like the Senate of the United States, so

many representatives for each society regardless of the number of members or the size of the society's business. Its principle is one society, one vote. The younger or "progressive" federation insists on representation for societies in proportion to the membership. In relation to the general market, the Scandinavians, the Finns, the Italians and the Germans have given up the practice of selling at the market price and returning the difference in dividend to the purchaser; they prefer to establish an immediate differential advantage by underselling the competitor and paying back a smaller dividend. Some, English societies among them, do not adhere strictly to the system of cash transactions but give credit. Some of the societies combine several of the variant features. However, none may be regarded as a true cooperative unless it conforms to the fundamental Rochdale principles of democratic organization and dividend on purchases.

Another variation, developed this time by the English, is organization and control by the federal unions. In 1928, a decision was reached to create the Consumers' Wholesale Retail Cooperative Society, Limited. The purpose is to set up societies in areas where none exist. The wholesale, with the consent of the local society, establishes branches on its own initiative. These branches possess a certain amount of autonomy, and as customers in sufficient numbers accumulate dividends to pay off the cost of shares, the wholesale organizes them into societies and hands over the stores to their complete control. The method inverts the classical process of independent local growth, followed by federation and unification. It is, so to speak, growth by division rather than by accretion. It marks a very important change in cooperative process.

THE CASE OF RUSSIA

Finally there is Russia. The cooperative movement in Russia began almost at the same time as the abolition of serfdom in the sixties of the last century. Its leaders were intellectuals and noblemen who, moved by the democratic and socialist ideals of western Europe, struggled to remedy the condition of the peasant multitudes of their own country. At all points the mediæval inertia of the church and the reactionary activity of the state obstructed the full development of the movement. Energies were constantly being diverted into political channels, but after the bloody failure of the Revolution of 1905, many who did not turn to orgiastic living for salvation from political despair turned to cooperation.

They came to feel that the movement was a sure and easy way to freedom. By 1914, the movement had grown from 250,000 members counted in 1898, to 1,400,000 members; from a membership mostly urban to a membership three-quarters rural, and controlling 7 per cent of the retail trade of the country.

During the World War the cooperatives were the only structure that maintained any integrity and sustained in an orderly way the economy of a people betrayed by its government during a war whose commanders were selling their armies into the hands of the enemy. In the period of the war the movement more than trebled in size. By 1919, food crises, the breakdown of the markets, the disintegration of the general economy of Russia made the cooperatives the one focus of stability in the shattered ruins of the institutional life of Russia. Russians flocked to the cooperatives. Their membership rose to 17,000,000. The local societies were served by a good many wholesales whose activities came to need coordination. These were reorganized as a national federation, *Centrosoyus*, into which three-quarters of the wholesales merged. In 1913, a school of cooperation had been established in the Moscow People's University and through this school and otherwise, some fifteen hundred instructors were employed to reenforce the business of *Centrosoyus* with a "none-trading function." The Tzarist government came to fear the cooperatives, and in 1915, suppressed the Central Cooperative Committee, but the following year the rebellious Duma not only restored its powers but gave it complete autonomy. In 1918, the Provisional Government enacted a cooperative code and delegated to the Cooperative Congress, which was thereupon called together, the task of maintaining the national economy.

Then came the communists. The consumer function was inhibited by the political interest and the producer ideology. Self-governing workshops were literally the rage, and production was paralyzed by "self-government." *Centrosoyus* became merely an agent of the state executing the plan of the Commissariat of Supply. Under the decree of March, 1920, certain of the essentials of the cooperative structure were abolished; voluntary was replaced by compulsory membership; the movement was nationalized, and the red tape of the Soviet bureaucracy cut off its traditions and destroyed its efficiency. By 1921, however, the government had learned an economic lesson. One item in the much-discussed New Economic Policy was the restoration of the cooperatives to coopera-

tion. By 1930, the cooperatives had been made practically a partner of government as well as a tool. The state trusts, whose autocratic rule has replaced "self-government" in Russian industry, now consulted the cooperative movement before they undertook production, and the function of distribution was largely left to the cooperatives. Nor were they themselves prevented from going into production as that seemed feasible. Later their right to hold property had been somewhat returned to them.

Regardless of sect or party, some seventy-three million Russians once were practicing economic democracy through consumer societies while they were suffering from economic tyranny through the state trusts of producers and other producer organizations. For in the movement, all peoples of Russia stood equal, regardless of sect or class or race or party. In the cooperatives alone could it be claimed that a non-communist has the same status, privileges and duties as a communist, and enjoys equal liberty to speak, to work and to vote. The members of the retail societies elected delegates to the meetings of their district unions. These union meetings elected the governing boards of the district, and the delegates to the Areal or Regional Union, the National Union, and the All-Union Congress of the Cooperative Movement. The last elected the Centrosoyus, which is the movement's supreme governing body. If cooperatives were subject to the coercions of the superior force of the government, and the contamination of its ideology, their subjection was not greater than in any other country, and by way of recompense they enjoyed a certain privilege and dignity for which only the Scandinavian countries provide parallels. In a country with so low an actual standard of living and so high a projected one, the cooperatives bore the major responsibility of converting the scarcity under which the average Russian lives into the abundance which he has been promised and which to date he has not yet enjoyed. The consumers' cooperative movement appeared, in the summer of 1935, to function as the citadel of free society and economic and personal democracy in Soviet Russia.

But the winter of 1935 showed that appearances were deceitful as usual. Events made it clear that so far as the government was concerned, the consumer cooperatives were not institutions of Soviet civilization but tools of the dictatorship, to be taken up and dropped at will. With apparent suddenness, some 37,000 urban consumer cooperative societies, with nearly 10,000,000 members, were "liquidated." Their members' assets were handed over, with-

out recompense, to the State Trading Trusts which assumed their functions. City trade was made a monopoly of the state, organized and controlled from above. The destruction of urban cooperatives appears to be coincident with an increase of consumer goods. So long as there was a significant shortage of essentials, the cooperatives were allowed to live and work. As the shortage lessens, the consumer societies are dissolved. This policy extends to the countryside also. But shortage is still conspicuous there, and accordingly consumer cooperatives continue in the peasant villages. Centrosoyus is now concentrated upon serving these peasant societies. But they too will go with the shortage. The first and last interest of the Russian dictatorship is production, and human beings as producers. It is dominated by the producer mentality, and this, with the best will in the world, perforce subordinates life to labor. Glorifying labor and regimenting life, it willy-nilly commits itself to the institutions of the servile state.

WORLD FEDERATION: THE INTERNATIONAL COOPERATIVE ALLIANCE

That the existence of cooperatives in different countries should lead to international organization was of course inevitable. This organization is implied by the cooperative principle itself and is necessitated by the integrative action of the credit-enterprise economy. Every wholesale must have correspondents and agents in other countries, and it is therefore either compelled to move into a sort of imperialism like the capitalist imperialism or toward a federalism of the sort that the national structures of the cooperative movement already exemplify.

This federalism is still in the making. The first steps toward it were, as usual, tentative and cautious. They began as a sort of interchange of fraternal greetings between the cooperatives of one country and the cooperatives of another. Swiss, Italian, French, German, Swedish and Danish cooperators attended the London Congress of 1869. For many years letters reporting the status of the movement were exchanged between one country and another. In 1885, the French fraternal delegates to the British Cooperative Congress invited the Cooperative Union to send delegates to a conference which should consider the formation of an international federation of cooperatives. The function of such a federation was to be to serve as a sort of international board of arbitration for labor disputes and to teach working-men the principles and practice of cooperation . . . the British Cooperative Union partici-

pated largely in arranging for the First International Cooperative Congress which was called in London in 1896. This Congress created the International Cooperative Alliance.

Consistently with the tradition of such organizations, the membership of the Alliance was mixed, individuals and societies. When Henry W. Wolff, whom Greening had won to the movement, was elected president, he traveled over the continent and secured the enrollment of every type of cooperative organization—farmers, workers, consumers, producers, credit-unions. At the Congress of 1902, held in Manchester, the delegates abolished individual membership. The consumers' organizations naturally predominated, and between 1902 and the World War the work of the Alliance consisted in preparing an international cooperative bibliography, an international directory of the cooperative press, and a monthly bulletin in English, French and German. In 1910, the first Year-Book was published. During the War the activities of the organization were naturally limited, but contacts between the cooperatives of the allied countries and some contacts with those of the central European countries were continually maintained. The first congress after the War was held in Basle, in August, 1921. It was a new world requiring a readjustment of the international cooperative movement: the Centrosoyus was now representing the new Russia as a member of the congress, and the constitution was revised.

Under this constitution the membership of the Alliance may be primary cooperative societies, national unions and regional federations, and national auxiliary bodies. Eligibility of consumers' societies for membership depends on their conforming to the Rochdale principles. Societies of consumers must have for their object social and economic benefit of their members and observance of the principles embodied in the rules of the Alliance and the resolutions of International Cooperative Congresses. The congress, which meets every three years, is the supreme authority. During the intervals between congresses, this authority is delegated to a Central Committee representing the national organizations. The committee elect the president and two vice-presidents of the Alliance from among their own members immediately after each congress and they meet regularly once a year. In addition they elect an executive committee which consists of eight members of the Central Committee and the officers. The executive committee meets quarterly. The decisions of the congress and its agencies are ex-

ecuted by the General Secretary. Members pay minimum dues of about \$100 a year if they are national organizations. Primary cooperative societies pay at the rate of \$5.00 for 1,000 members to \$250 for those with a membership of more than 200,000.

The objects of the Alliance are the obvious ones of unification, information, education and propaganda. It collects statistics, maintains a permanent library and press, helps forward cooperative activities of every sort, maintains friendly relations with other international bodies such as the International Federation of Trade Unions, the League of Nations and the International Labor Office. Since the Basle Congress of 1921, it has instituted International Cooperative Day, established the "rainbow" as the badge of the cooperators of the world, and taken over from the British Cooperative Union the International Cooperative School. The *Bulletin* of the early years is now *The Review of International Cooperation*. The Alliance has been recognized by the international agencies of governments like the International Labor Office and the Council of the League of Nations as the spokesman for the cooperators of the world. It has collaborated with the International Labor Office in the collection of cooperative statistics. It is represented at the International Economic Conference at Geneva.

INTERNATIONAL COOPERATIVE WHOLESALE SOCIETY

Of course it has endeavored to develop an international cooperative wholesale society and to facilitate international cooperative trade. The Scandinavian countries, Denmark, Sweden and Norway, had already in 1916, formed the Scandinavian Cooperative Wholesale Society and buy coffee and other materials together. The advantages of this practice led to study of the possibilities of developing it on a wider scale. On the basis of the information accumulated, twenty-five wholesale societies affiliated as the International Cooperative Wholesale Society. At the moment, this society functions as a middleman between its constituencies and to many it is not clear of just what use such a middleman might be apart from acting as a clearing house for information. Others see a development analogous to the national developments. They believe that an autonomous international wholesale, in business on its own account, is a way out of the difficulties that attend trading when one wholesale acts as an agent for others. Certainly the International Wholesale can buy for many others. In addition, the Alliance has been encouraging international collaboration by

the cooperatives in banking and is assembling information to facilitate a mutual exchange of services. The hope is to establish an international bank which will serve the interests of international cooperative trade. The same thing holds for insurance.

In the face of the world-wide autarchic trends, the Alliance, representing some forty countries, some hundred and forty-three national unions, ninety-one thousand federations and one hundred million members, at its congress in London, September, 1934, "refused to accept the moral obligations of political neutrality and cash trading." Several delegations held that neutrality was impossible in the present state of the world and that cash trading is not applicable to the elaborate credit economy of the twentieth century. On the basic Rochdale principles there could be no disagreement—open membership, democratic control, limited interest on capital, dividend on purchase and education. It reaffirmed its adherence to the cause of peace and disarmament, and urged the members to employ the Alliance as their international agency in protecting both producer and consumer against capitalist exploitation, in assisting farmers and small producers, and in building up the International Cooperative Wholesale Society as their instrument to increase the interchange of goods between the countries of the world. The decisions indicate that the international movement remains the carrier of the democratic tradition in which cooperation began. Within it the old issues between sectarianism and non-sectarianism, individualism and collectivism are still active. The influence of the Russian frame of mind, with its dogmatism, its aggressive idealism, is conspicuous, but the dominant note is still the note of freedom which was struck in the expression *laissez-faire* and of which voluntary cooperation is the logical development.

THE COOPERATIVE PROGRAM: CRITICISM BY ECONOMISTS³

The immediate aim of cooperative societies is to satisfy the needs of their members better and more economically than is done by existing institutions; for example, if the need be bread, to furnish it of better quality, juster weight, and more cheaply than the bakers can supply it. Is their claim to do this well founded? It seems at first sight very daring, for is it probable that simple consumers, who by their very definition are not specialists, could be capable of making bread or supplying any other service cheaper

³ Quoted, with permission, from *Consumers' Cooperative Societies*, by Charles Gide, Alfred A. Knopf, New York, 1922, pages 22-30 and 38-47.

and better than the bakers or members of the trade? Is not that a contradiction of the great law of the division of labor and of exchange? Is it not a return to a state of savagery, to the life of a Robinson Crusoe, or to a feudal family who had to provide for all their needs by their own exertions?

That is the objection on which the economists lay stress; yet the experience of nearly all countries for the last half century, vouched for by countless successes, has proved indisputably that the claim made by cooperators is well founded. No doubt the cooperative business is heavily handicapped, first of all by the lack of technical capacity, and even more by the lack of personal management, of "the master's eye." The manager lacks the stimulus of individual profit, whether he be a salaried official or even a philanthropist.

But, on the other hand, a cooperative society, having to provide for the needs of its members only, can do so with certainty, particularly if its members are conscientious and loyal in purchasing from the store. It has not to run the risks of bad speculation and of bad stock which must be sold at a loss. Besides, the cooperative business, as it does not need luxurious premises—since it does not appeal to the public—and as it runs no risks of bad debts—since it does not usually sell on credit—is freed from the two heaviest expenses which weigh on ordinary commercial enterprises. Finally, a cooperative society can often obtain the services of honest, capable, and devoted managers at a far lower price than capitalist enterprises have to pay.

. . . In fact, contrary to general belief, one does not find more failures among cooperative societies than among ordinary traders, and where statistics are procurable they show that cooperative failures are fewer. The cooperative review of Hamburg (*Konsumgenossenschafts Rundschau*), in its number of 18th January, 1908, commented on the official statistics of failures in the German Empire for 1905-1906. In capitalist enterprises with share capital there were 24 failures, out of 4,952 companies, a proportion of 4.85 per 1,000, and there were 27 failures out of 25,714 cooperative societies, which is a proportion of 1.43 per 1,000 only. True, the majority of these cooperative failures were credit, and not consumers', societies, which would make the average more favorable; but, on the other hand, it should be noted that the statistical returns of the capitalist concerns refer to large businesses only, and not to small traders, and that the latter are the ones whose failures are most frequent.

As for saying that cooperative organization abolishes the division of labor and brings us back to the primitive times when each man was constrained to produce for himself everything essential for his needs, it is true in so far as one can say that a consumers' cooperative society is an enlarged family which—as was formerly the case, and is the case today on certain farms—makes its own bread and jam, and which also spins, weaves, washes, &c. Yet it is not the consumer himself who does all that, but specialized workers, preferably members of the societies. If the division of labor is abolished from the economic point of view it remains in full force from the technical point of view, and that is enough to ensure progress.

One may say that cooperative association confines itself to transforming that cooperation which already exists in a latent state in all human society into conscious, organized cooperation. It is one of the favorite themes of economists to point out how the play of individual efforts produces involuntarily a general harmony; unfortunately, facts prove that this harmony is often but a frightful discord. The cooperative society's rôle is to make each man play in tune; it is the conductor of the orchestra.

. . . If the greater number of cooperators only seek from cooperation the means of living better, there are a small number in every country where the cooperative movement has made headway, who seek something more from it—the attainment of greater justice in economic relations. It is not for nothing that the Rochdale weavers called themselves the "Equitable Pioneers." They did not content themselves with seeking from cooperation an increase in comfort for the poorer classes, "the chicken in the pot" promised by King Henry IV. They sought to find in it an instrument of economic transformation, not only in the sphere of exchange, but also in that of production and the division of wealth. A cooperative organization for the distribution of wealth which had as its foundation a competitive system of production would form a highly unstable, perhaps uninhabitable edifice. They also sought to find in cooperation an equitable division of wealth, enabling the consumers to keep for themselves all the gains of the enterprise. Their system is the inauguration of a new system of the division of wealth; it would mean that capital would have no more profits. Cooperation, therefore, means nothing less than an economic system destined to supersede capitalism by mutual aid, by one more like the earlier "domestic" system.

Cooperative association brings with it the hope of moral prog-

ress; but in abolishing the pursuit of profit as the only real motive of economic activity—substituting for it the sole aim of satisfying needs—whilst abolishing advertisement, lying, cheating, and inducements to extravagance, cooperation will succeed in establishing in business a reign of truth and justice; in short, it will establish the “fair price.” If we sought to define the object of cooperation in two words these last would be enough.

No doubt economists will reply that to seek such an end is unscientific, because neither cooperative association, nor even the State, has the power to fix a “fair price,” or any price. Only the economic factors known as “the law of supply and demand” are able to do this.

Still, the fixing of prices is more and more the end sought by commerce and industry; they seek to safeguard prices from the fluctuations caused by competition. It is for that reason that the fixed price has become the rule in all big markets, and that the manufacturers themselves tend more and more to compel shopkeepers to sell goods bearing their trade-marks at a fixed price, by forbidding them to sell *below* the price marked. This system, which has spread widely in the United States—under the name of “price maintenance”—has hardly yet appeared in France, except amongst chemists—for patent medicines—and among publishers.

But the fixed price has nothing in common with the cooperators’ “fair price”; instead of eliminating profit it increases it, making it a direct element in the price of goods. If this system becomes general the consumer will be absolutely handed over to the discretion of the producer. That is why it must be answered by the cooperative system, which also tends towards fixed prices, but prices fixed by the consumer, and forbidding sale *above* the price marked.

We shall see, later, by what developments of cooperative association it is hoped to produce these great results, but we can say at once that it is by asking cooperators to give up, either wholly or in part, the individual economies which they gain from cooperation, or, at least, to deposit their annual savings in cooperative hands and to use the collective capital thus constituted to erect factories, buy land, and build houses, the profits from which will naturally go into cooperative funds, so that cooperation, like the snowball, will, little by little, swallow up the profits which up to now have gone exclusively to those who possess capital. It is not a question of expropriating the capital already in the hands of the capitalists, but one of forming new capital for the working classes.

Socialists object that it is ridiculous to suppose that the wage-earning classes will ever be able to raise from their wages—which are already insufficient to support them—new capital. But why, since they admit (not without exaggeration, but that is of little importance) that all existing capital is but the product of labor, formed by the labor of past ages, why not admit that new work exerting the same effort can produce as much capital and keep it for itself? And if the workers gave up supporting the old capital and turned themselves solely to using the new capital which would be their own, then the old capital would gradually become useless, would become dry and empty as the cocoon after the butterfly has taken flight.

We recognize that this ideal is far from being realized, and that cooperation has not done much toward reforming commercial customs. The pursuit of bonuses—"divi-hunting," as the English call it—is scarcely less keen than profit-hunting, and there are even societies into which the worst bourgeois vices, such as illicit commissions, have introduced themselves. But that happens only when the cooperative society, instead of reforming current conditions, has let itself become saturated by them. In spite of such cases of unfaithfulness to the cooperative ideal cooperation none the less keeps its striking characteristic of being at the same time highly idealistic and very practical. It is at once Martha and Mary, Don Quixote and Sancho. It follows the blue bird, but instead of seeking it in the Fortunate Islands, shuts it up in a shop. It sets before itself the reformation of the world; it begins by sweeping the pavement before its own door and setting its own house in order. It follows the stars; but looks before it leaps. Professor Marshall, the eminent economist, said in his speech as President of the Co-operative Congress, at Ipswich, in 1889: "What distinguishes cooperation from every other movement is that it is at once a strong and calm and wise business, and a strong and fervent and proselytizing faith."

One often hears the somewhat academic question discussed: Is cooperation an end, or only a means? For the great majority of those who rally round the cooperative movement "bourgeois" cooperation, as it is often called, is only a means, a means of living better without spending more or, as we shall see later on, of saving without denying oneself. For those collectivists or anarchists who support cooperation it is also only a means, a means of preparing the advent of the collectivist or anarchist régime by training and

arming the people for a class war; by supplying them with the necessary fortresses, munitions, and technical training, in order that on the morrow of the great revolution the people will find themselves capable of maintaining the services of production and distribution. For the differences between the so-called "middle-class" cooperation and that called "socialist," see the last chapter of this book.

But for those who love cooperation for itself, the true co-operators, whom critics ironically call "mystics," cooperation is an end in itself. Not that they are prepared to rest content with the results already gained, but because they believe that cooperation is a living organism, and that the results achieved already contain the germs of all the possibilities to be wished for in the future, as the seed contains the fruit in a latent state. To drop metaphor, they believe that each cooperative society which obeys the laws that it has made for itself already constitutes a little world organized in conformity with justice and social benefit, and that it is sufficient to let it develop spontaneously, either by growth or imitation, to realize in the more or less distant future the best of all possible worlds.

In reply to those economists who laugh at these pretensions to social regeneration, one may say that they only amount to an attempt at realizing one of the principles of a classical school of economists which Bastiat, a few hours before drawing his last breath, expressed in these words: "Political economy must be treated from the point of view of the consumer." The cooperative program is to place the consumer in a position of economic domination. M. Pantaleoni puts this question: What new element can cooperation bring among those which influence supply and demand? We answer: None, we admit; but it would enable the law of supply and demand to work under conditions which open competition has never been able to realize.

It is true that public opinion, especially that of protectionists and socialists, considers the producer far more useful economically, and morally nobler, than the consumer, because he almost always produces for others, while the consumer always consumes for himself and for his own benefit, and in consequence that it would be wrong to sacrifice the former to the latter.

But it is merely playing with words to pretend that the producer, in the existing economic organization, lives for others. If the baker makes bread he does not seek to feed his customers, but to make profits; and if he does feed them it is because this is his only

way of gaining these profits. It is only in cooperative association that production is organized solely with the view of satisfying needs. In fine, it is not a question of sacrificing either the producer or the consumer, but of putting each in his proper place in society. But it is evident that the producer only exists for the benefit of the consumer, the baker for those who are hungry; it is not the other way round. It is this truth, too often falsified in the actual economic order of things, that the consumers' society seeks to re-establish.

IN BELGIUM

. . . Meantime, while English cooperation of the Rochdale type was being evolved, in Belgium another type was emerging, having quite a different aspect. It is to Belgium (or rather, to certain leaders, César de Paepe, and after him, Anseele, Bertrand, and Vandervelde) that the merit is due of having united in one cooperative party the socialist school and the workmen's party, which, as we shall see later, had become separated. . . . Not that the cooperative movement has assumed such large proportions in Belgium as in England. It is of much more recent date, being traced from 1880 only, and, having taken from the beginning a socialistic and political character, it found itself checked by the antagonism of other political parties, Catholic and Liberal, which have rival societies in every town.

But, on the other hand, this struggle has acted as a stimulus to cooperation, each party using it as a means of influencing the people. Thus, the characteristic feature of Belgian cooperation is that it is mixed up with politics, which is not at all the case in other countries—at any rate, up to the present. The socialist party has, above all, made the cooperative store not merely (as Anseele has said in his well-known phrase) “a fortress whereby to bombard the capitalist society with potatoes and 4lb. loaves,” but, better than this, a club house for the people, to serve them not only as a center for supply, but for meetings, instruction, recreation, improvement. It has made cooperation a sort of patronage, different from capitalist patronage but employing the same methods, and we might even say using methods which no other patron would dare to do today; for instance, the member has to pay for his bread in advance each week—by buying counters, which means that the society borrows from the workman funds for its working expenses—and, moreover, the member must pay an addition of

one-third of its real price for his bread. But the workman will bear from his society what he would not bear from any other master. He willingly allows himself to be drawn into a net-work of schemes of insurance, providence and mutual aid, which surrounds him completely from his birth to his death, and follows him into all the actions of his domestic, working, and political life. He is taught how to vote properly and not to drink alcohol. It is in order to keep in daily touch with him and to be able to control his actions more minutely that all Belgian cooperative societies make the selling of bread the basis of their operations.

IN FRANCE

France has been late in taking up distributive cooperation, though the social evil "competition" was being unceasingly anathematized by all French socialists in the first half of the 19th century. Therefore, it would seem only natural that cooperation, being the antithesis of competition, would appear to them the solution sought for. But then, they were seeking the solution in co-operation from the productive, and not from the distributive side.

Indeed, thoroughly discouraged by their failures, the working classes turned their backs on cooperation in all its forms. They continued to dally with the idea, however, as a solution for the social question, in their congresses up to that held at Lyons in 1878 [Author's Note. "Considering that the condition of wage-earners is but a transitory state between serfdom and a nameless condition, the *Chambres Syndicales* ought to put everything in train for the establishment of general societies for distribution, credit, and production." This was a resolution passed at Lyons.]; but this was the last sign of interest shown by them. From the following year when, at the Marseilles Congress, under the initiative of Jules Guesde, and influenced by Marxian collectivism—then in its infancy in France—they changed completely and resolved that cooperative societies "could by no means be considered a strong enough method for gaining the emancipation of the labouring classes," they voted for the socialization of the means of production.

Nevertheless, here and there distributive cooperative societies were founded. The oldest of these which appears in the Cooperative Almanac is the *Ruche Stéphanoise*, of St. Etienne, which dates from 1855. But there were others, even older, which have long since disappeared, leaving no traces. The idea of grouping together for purchase in common is too simple not to present itself often to

the mind and not to be acted upon at times. We can cite from 1823 the existence of a cooperative bakery called *Caisse du Pain*, in Alsace, at Guebwiller.

The great burst of cooperative enthusiasm in 1848, although it spent itself almost entirely in efforts to establish productive societies, did, nevertheless, bring some distributive societies into existence; in particular, at Lyons, a great centre of social activity at that epoch, there was formed the *Société des Castors*. Several works have been written on the history of cooperation at Lyons—one by M. Flotard, in the Year Book of Association, published in 1867, and one more recently by M. Godard, entitled, "The Origin of Cooperation at Lyons" in 1904. A cooperative shop, with some curious features, was started in 1835, before the Rochdale Pioneers' Society was formed, under the name of "*Commerce Véridique et Social*," and was threatened with prosecution by the authorities.

During the period 1867 to 1883, although public enthusiasm was more concerned with productive and credit associations, there were about one hundred distributive societies founded, among others, on the initiative of Benoît Malon [Author's Note. Benoît Malon was a socialist of the French School, that is, he was not very sympathetic toward Marxianism, but rather sympathized with cooperative ideals. He, nevertheless, denounced in vehement terms, "the quacks of orthodoxy in the economic school, who had driven the workman out into the blind alleys of cooperation." (*Manual of Social Economy.*)], the *Revendication* at Puteaux. In Paris, in 1867, there were only five or six distributive societies, compared with 50 productive and more than 100 credit societies. All of these were affiliated to one of three credit organizations (People's Banks): *Le Credit au Travail*, *La Caisse des Associations Coopératives*, and *La Caisse d'Escompt des Associations populaires*. At this time, cooperation was upheld by such well-known economists as Leon Say, Jules Simon, and Walras, but it had a more moderate program than that of Rochdale; and the law of 1867, which we shall examine later, was due to this movement. Jules Simon made a very impassioned speech during the discussion on this law.

It was not until 1885 that distributive cooperation took a conscious existence—in the town of Nîmes—thanks to the initiative of a little group of cooperators, which included de Boyve, Fabre, and several workmen. Since then its progress has been less broken,

if not very rapid. The first congress, which assembled in Paris in 1885, laid the foundations of an organization somewhat similar to that which we have described in England. A Cooperative Union with a Central Committee, a federation for purchase, annual congresses, and a journal were started about this time. During some ten years, the societies which had joined the Cooperative Union remained loyal to the Rochdale program. The Central Committee found a general secretary full of enthusiasm and experience in the person of Charles Robert, the apostle of profit-sharing; but a premature and unfortunate attempt to form a federation for purchase in common brought trouble and a certain amount of discouragement into the Union.

In the interval, the example of the Belgian cooperative societies and the counsel of their chiefs had brought back a certain number of French socialists to the cooperative movement. They found in cooperation, if not a solution of the social problem, at least a means of action, and these men began to form distinctive societies. But those societies of socialist tendencies in Paris, which had at first belonged to the Cooperative Union, soon withdrew from it because they thought the Union too bourgeois in its tendency, and too provincial in its little parliament, and in 1895 another group was founded composed entirely of Parisian societies under the name of *Bourse coopérative des sociétés socialistes de consommation*. (Cooperative Exchange of Socialist Consumers' Societies.) Socialists say that this secession marked the new cooperative era in France.

In this statement there is a measure of truth, and some ingratitude. As far as the cooperative program is concerned, the socialist seceders have added nothing to that of the founders of the Union; but as far as its realization is concerned it is true that their societies, being formed exclusively of workmen and animated by class prejudice, showed themselves more active, more disciplined, and possessed of more solidarity. Nevertheless, the period which followed (which lasted not less than seventeen years) was full of quarrels between the socialist group and the so-called bourgeois or neutral group which certainly did not help the progress of cooperation in France. But we shall postpone to another chapter these discussions about the various schools of cooperative thought.

Finally, mainly because of the efforts of some loyal cooperators of both parties, and also because of the pressure of cooperators in other countries—especially Belgium and England—which was exercised at every national and international congress, the cooperative

movement in France succeeded in regaining its unity. In 1912 the two groups were in accord in a declaration drawn up by a member of the Nîmes school. This declaration, called the Covenant of Union, was ratified separately and simultaneously by each federation in congress—unanimously at the Cooperation Union Congress, and at the Congress of the Socialist Exchange by a majority of 307 to 30—and the Covenant of Union was finally adopted at the General Congress at Tours, held from December 28th to 30th, 1912, in the presence of numerous delegates of foreign cooperative federations who had come to witness this very happy union.

However, there were here and there a certain number of societies which refused to accept the Union, preferring to break away. On the other hand, some which had hitherto refused to federate decided to do so from the time when they had not the embarrassment of choosing between the two federations. On the side of the old Cooperative Union, the irreconcilables were the semi-patronal cooperative societies. On the side of the socialist group the dissentients were the large societies of the North not allied with the "Guesdist" party, that is to say, the Marxian societies. (Jules Guesde was the representative of Marxian socialism in France.)

It is fortunate that the Union was already established, although it had not borne any fruit at the time of the outbreak of war. It is owing to this Union that cooperation in France has been able to survive the great calamity, and even to render notable services to the country and the cooperative principle.

IN GERMANY

In Germany the working classes for a very long time refused to believe in the efficacy of distributive cooperation because they were imbued with the idea or theory of what Lassalle calls the brazen law, i.e., the ancient theory which teaches that any reduction in the cost of living inevitably brings with it an equal reduction in the rate of wages, and that, consequently, this would be the unfortunate result of the success of a distributive cooperative society. For this reason the cooperative movement in Germany was first started under Schulze-Delitzsch about 1850 in the form of cooperative credit, and in this form it has had a wonderful development, more striking even than that of consumers' cooperation in England. There are, in fact, 20,000 cooperative credit societies, both rural and urban.

As cooperative credit is the most conservative of all forms of

cooperation it has rallied together the liberal and the bourgeois parties, and even the small traders, who have gained great advantages therefrom. It was a sort of lightning conductor for quite a long time, a preventive against the extreme socialism of Lassalle and Karl Marx. Thus, credit societies had a high place in the federations—notably in the General Union of Berlin, the most important one founded by Schulze-Delitzsch—while the distributive societies remained in a secondary position, their only function being (in the opinion of the Union) to help the workman to save and to be a source of supply for the credit societies. But the federation of credit and distributive societies under one banner was impeded by the fact that the small traders (who constituted the majority of the cooperative credit societies) declared that the development of distributive societies aimed at their extermination. Furthermore, the General Union, which, inspired always by the spirit of Schulze-Delitzsch, stood for bourgeois liberalism, and defended the middle classes, was unable to accept the socialist labour program of social reform which the distributive cooperative societies both in Germany and France were beginning to teach. At the Congress of Kreuznach, in 1902, held under the presidency of Dr. Crüger, disciple and successor of Schulze Delitzsch, a resolution of the German Union condemned this program as being too socialistic.

Consequent on this motion, the larger number of distributive societies resigned, in order to form an independent Union with its head-quarters at Hamburg. This Union, however, unlike the Belgium group, does not profess the socialist faith; it has not allied itself with the large socialist democratic party, but by certain regulations—such as prohibiting societies from selling to the public or paying interest on shares—it gives to its societies a more “anti-capitalist and more mutual aid” character than that which obtains in any other country.

Today, Germany, although very tardy in entering the domain of distributive cooperation, advances with gigantic strides. The oldest cooperative distributive society on the Rochdale system appears to have been formed in Neustadt, near Magdeburg, in 1864. But it is only in the last years of the 19th century that German cooperation began to expand. In this field, as in the field of industry, she aimed at outstripping England, and at her former rate of progress, would probably have succeeded, as we shall see by the figures in the following chapter. This is interesting, because the

superiority of which Germany boasts, in the domain of organization, was not generally recognized, except in so far as it concerned compulsory State, or military, organization. Yet here we have a kind of organization—free and spontaneous cooperative association—for which Germany displays an aptitude not less remarkable than that of the individualist English people. We must remember that the qualities, and even the faults of the German race—the spirit of discipline which can subordinate private to general interests, the gregarious instinct which moves it to join together, the enormous capacity for carrying things through, the cult of organization, even the very worship of the *kolossal*—are all conditions eminently favourable to the success of cooperation in Germany. As we shall see in the following chapter, the largest distributive societies in the world are to be found in Germany.

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CHAPTER III

MORE RECENT ECONOMIC ANALYSES

(From World War Period to the Present)

A STUDY IN CONSTRUCTIVE ECONOMIC REFORM¹

DURING the years intervening between the outbreak of the World War in 1914 and the present (1921) our attention has been focused so intensively upon the unprecedented events incident to the great conflict that the peaceful elements and constructive forces in our economic life have developed and functioned practically unnoticed. Among these constructive movements cooperation has assumed a position of first importance. The recent growth of cooperation has been phenomenal. There is scarcely a nation in which cooperative enterprises have not made unusual records in the production and distribution of goods during the last six years of world-wide readjustments. This significant growth has revived the interest of the general public in a movement which is founded upon a principle of economic activity diametrically opposed to the commonly accepted idea of competition.

The development and present status of the cooperative movement should command thoughtful consideration for several reasons. First, it manifests the practical possibilities of the fundamental principle upon which all such reformist schemes are established—the principle of mutual interest and cooperation; second, it reveals the persistence and determination of wage-earners to improve their economic status by controlling agencies of distribution; third, it demonstrates the wisdom and sanity of peaceful, constructive, and deliberate action in the solution of the serious economic problems of modern civilization; and, fourth, it proves conclusively that workingmen can organize and operate successfully business enterprises. . . .

¹ Quoted, with permission, from *Cooperation, A Study in Constructive Reform*, by Gordon S. Watkins, Ph.D., University of Illinois Bulletin, Vol. XVIII, No. 28, March 14, 1921, pages 5-8 and 78-81.

CONDITIONS OUT OF WHICH COOPERATION DEVELOPS

The existence of private profits and a high price level is not the only condition that stimulates the development of cooperative enterprise. No less important is the fact that under modern conditions and methods of production, distribution and credit, the amount of capital required to organize and operate a business is usually so large that it is very difficult, if not almost impossible, for the average wage-earner or salaried man to engage in independent enterprise. Cooperation provides a medium through which the modest savings of these classes may consolidate to finance the production and distribution of goods and the construction of homes, and at the same time make possible the accumulation of additional capital to finance even larger scale operations. As the economies and efficiencies of large scale production and distribution are effected the cooperative enterprise becomes self-sustaining and self-perpetuating, yielding the benefits of business to those who patronize and support it.

The above explanation of the character of cooperation suggests that cooperation in its functional aspects may assume one of several general forms. Generally these are known as (1) distributive or consumers' cooperation, or the sale of commodities by an association of persons who desire to eliminate the merchant middleman and his profits, thus appropriating for the consumers the advantages and benefits of the business; (2) producers' cooperation, sometimes referred to as labor copartnership, which is an organization of individual workingmen who seek to dispense with the private employer and his profits and to secure the benefits of the enterprise for the laborers themselves; (3) cooperative credit, which consists of associations of individuals who endeavor to obtain the advantages of collective capital and credit by eliminating the profits of the private financial institution. In addition to these three general types of cooperation two other forms have assumed sufficient prominence to entitle them to separate classification. These are (4) cooperative insurance, the purpose of which is to dispense with the private insurance company and its profits, and to secure for the members of the association the benefits of safe and reasonable insurance; (5) cooperative construction, comprising an association of persons, such as building and loan societies, who endeavor to make possible economical construction and convenient payment in the building of homes.

. . . No one can study the cooperative movement in Europe, even in the light which the present brief outline throws upon that subject, without recognizing the grasp which the cooperative ideal has upon the minds of the polyglot peoples of the Old World. The recent phenomenal growth of the movement in countries whose political, social and economic structure has been shaken to its very foundation, if indeed the very foundation itself has not been destroyed as in Russia, is striking evidence of the practical possibility of the fundamental principles of cooperation. Of one thing we may be assured, namely, that the cooperative movement has become a permanent phase of the economic life of Europe. A second fact of no less significance is that cooperation stands supreme among the movements that seek economic reform and readjustment in a peaceful, evolutionary, and constructive manner. The immediate program of cooperation—the elimination of the middleman—has been achieved on an unexpected scale. Whether, out of the political and economic chaos of Europe, the cooperators' ideal commonwealth, founded on mutual aid and functioning in the interest of all, will ultimately emerge, is a question which only time can answer. At present there appears to be little ground for thinking that this ultimate program of cooperation will be realized in the immediate future.

When we turn to the United States and Canada, in which conditions of life are quite similar, we find cooperation holding a relatively inconspicuous position in economic life. The achievements of the movement in these countries in recent years give some promise of greater stability and continuity, but it cannot yet be said that cooperation has become a very potent factor in their productive and distributive systems. It may not be that the present period of unemployment and price recession will result in an ebbing of the tide of cooperative effort, but for a long period to come cooperation will attain no such prominence in the United States and Canada as it has achieved in the Old World. There is every reason to believe, however, that the movement in these countries will experience a steady growth.

REASONS FOR A SLOWER GROWTH IN AMERICA

What has just been said suggests the inquiry as to the reasons why cooperation has developed so tardily and achieved so little success and permanence in North America. Generally speaking, there has been a higher degree of individual comfort here than

in Europe, which has made people less cognizant of the need for small economies and so has retarded the expression of the associative spirit and the development of cooperative action in production and distribution of commodities. In new countries, as the United States and Canada, the abundance of economic resources and the prevailing opportunity for economic prosperity have developed a spirit of individualism and competitive achievement. There has been neither the economic necessity nor the individual inclination to develop a system of cooperative enterprises. As free access to the soil and the open door to individual enterprise are closed to the masses of our people, we shall doubtless have a greater measure of cooperative effort in production and distribution. In regard to the acquisition of land we are rapidly reaching that status, and the growth of corporate organizations and industrial consolidations indicate a narrowing of the field of individual enterprise, but for a long time to come America will, in all probability, continue to reward so generously individual enterprise and initiative that the cooperative movement will have difficulty in enlisting leaders and managers with business acumen and ingenuity.

Careful examination of cooperative associations in America reveals the following specific reasons for their slow development and frequent failure on this side of the Atlantic:

1. Geographic isolation of individual societies, which has prevented the development of solidarity of interest and protective measures.
2. Isolated societies have been organized frequently by people wholly ignorant of essential principles of business organization and inexperienced in sound policies of business administration and operation.
3. The absence of a spirit of thrift among the common people which precluded the appeal of small economies in purchasing.
4. The polyglot or heterogeneous character of the population which has made cooperative effort difficult. National and racial prejudices have destroyed the good-will so essential to successful cooperation, consequently much of our prosperous cooperation is found among distinct racial and national groups, such as the Finns, the Russians, the Germans, and the Jews.
5. Unscrupulous managers who, lacking true loyalty to the

cooperative ideal, have either administered the stores for selfish purposes or conducted the business carelessly and inefficiently.

6. The excessive extension of credit on sales, a serious departure from pure Rochdalism, has resulted in the accumulation of bad debts and bankruptcy.
7. The unwise practice of attempting to sell commodities at cost rather than at standard or prevailing prices.
8. The strong competition of immense chain-stores, department stores, and mail-order houses, capitalized at millions of dollars, and frequently able to undercut prices in order to lead customers from the small enterprise. The presence of "Kash and Karry," "Atlantic and Pacific," "Piggly Wiggly," and other self-service stores, together with Sears Roebuck, Montgomery Ward, and other mail-order companies offers stiff competition to the cooperatives.
9. The unrelenting opposition of private retailers and wholesalers who bend every effort to crush the cooperative enterprises.
10. The degeneration of cooperative movements into aggressive labor organizations, placing more faith in strikes and boycotts and collective bargaining than in cooperative business ventures.
11. The mobility of American wage-earners, a frequent migration of the population either from one section of the country to another or to and from the mother countries, is not conducive to permanent interest in a cooperative society in a particular place.
12. The lack of a unified policy and the failure to centralize administration of educational and publicity work. A beginning has now been made in this regard by the organization of the National Cooperative League of America, with headquarters in New York.
13. The absence of adequate cooperative wholesale facilities, a difficulty which is rapidly being eliminated through the new movement for cooperative wholesale societies, already discussed in this study.

The advantages accruing to the working classes from cooperative enterprise are many. Aside from the monetary benefits derived, cooperation acquaints its supporters with the practical

methods and policies of business administration, develops an awakened and intelligent interest in the political and economic life of the nation, promotes the spirit of mutual social service and altruism, and creates a financial reserve and an economic organization which are always beneficial to the laborers in periods of unemployment and industrial depression. For these reasons the ideal of cooperation will never be totally absent from the minds of wage-earning groups. Nor is it desirable that such an ideal should be absent from the minds of our citizens. In these days when forces of readjustment seem to degenerate easily into revolutionary agencies, the wisdom of encouraging peaceful, constructive business ventures owned and operated by wage-earners and salaried groups cannot be overestimated.

GROWTH OF INTEREST IN THE COOPERATIVE MOVEMENT²

A surge of interest in the theory and practice of cooperation has occurred in the United States since 1930. Hundreds of study groups and forums have dissected the cooperative movement and have speculated on its future possibilities. In many cases these discussions have been sponsored by various religious groups, both Jewish and Gentile, Catholic and Protestant. This aspect of the movement reached a peak with the 1936 transcontinental lecture tour of the Japanese, Kagawa, who told of the success of cooperation in Japan and urged his hearers to duplicate it as a practical application of Christian principles in the economic sphere.

Accompanying these discussions there has been increased activity in practically all phases of the cooperative movement in the United States. Credit unions have grown in size and number. Various forms of agricultural cooperative activity have expanded, largely under the influence of "farm bureau" organizations. Consumers' cooperation has grown to include some 6,500 cooperative buying organizations, with something less than two million members, doing a business of over a million dollars a day. (A substantial portion of this is represented by purchases by farmers of materials such as fertilizers and gasoline used in production.) About 500 retail stores are operated by consumer cooperative groups.

Although the federal government has long been interested in cooperatives, that interest has deepened and broadened since 1934. Through the Department of Agriculture considerable assistance

² Quoted, with permission, from *Comparative Economic Systems*, by William N. Loucks, Ph.D., and J. Weldon Hoot, Ph.D., Harper & Brothers, New York, 1938, pages 677-691.

has been rendered to cooperative credit unions and various agricultural cooperative enterprises. More recently a Presidential Commission studied European experience with cooperation, and in its report advocated federal advisory assistance for cooperatives and the opening of federal credit for use by cooperatives. In some instances the cooperative movement has aroused the interest and assistance of particular individuals who were in a position to render it service. The late Edward Filene, the Boston merchant, in 1935 established a fund of a million dollars for use in consumer cooperative experiments. Mr. Filene, who already had been instrumental in establishing the cooperative credit union movement on a substantial basis in the United States, contended that consumer cooperatives must start on a scale roughly comparable to the large department stores if they are to be successful. To that end his associates have organized one large-scale consumer cooperative enterprise (at Greenbelt, Maryland, a community of 900 families established by the Resettlement Administration, now the Farm Security Administration) and are planning others. The word "cooperation" is used so widely and so loosely that particular care must be taken to note what is meant by the "cooperative movement" referred to here.

. . . As used here, cooperation means the joint activity of individuals in carrying on certain economic processes, from which they as individuals will realize the total benefit. Individuals participate in the activity neither as employees, nor as profit-seeking enterprisers, nor as citizens, but as the beneficiaries of their own collective activities. Thus the cooperation is neither unconscious and automatic, as it is under capitalism, nor directed closely by the machinery of a socialist, communist, or fascist state. It is consciously and voluntarily undertaken by those individuals who wish to share in the specific proceeds of the cooperative endeavor. Since these benefits may be of either a *productive*, *financial*, or *consumptive* nature, three broad categories of cooperative activity fall within the scope of the cooperative movement. . . .

How can the recent extensive and intensive growth of interest in consumers' cooperation in the United States be accounted for? As it has been described here, consumers' cooperation appears to be a rather primitive thing. The physical facilities used by cooperative groups, particularly by newly formed units, are often of the crudest kind, being incomparably inferior to the elaborate large-scale retail facilities to which the masses of urban and many

non-urban buyers have access. Limited varieties of goods are carried by cooperatives, and these are concentrated especially in certain lines of merchandise. Such important consumption items as clothing, housing, recreation, medical service, and education have been largely untouched by consumer cooperation. The conveniences of credit purchases and delivery service are almost wholly lacking among cooperatives. In short, the very idea of self-help or mutual assistance in this era of specialization and pecuniary acquisition seems almost a throwback to primitive times. However, if one were to examine carefully the position of the consumer in recent years, he would find many forces which have contributed to the rising interest in consumer cooperation. Some of the more important of these may be mentioned:

1. The natural lateness of development of consumer self-consciousness. It is well known that we are often less aware of the experiences with which we are in closest contact than of those more remote but less regular and routine. Circumstances into which we are born are less intently realized than are those which come to us anew at mature years of life. Each of us is born a consumer but becomes a producer. Consumption activities arise automatically with the existence of life and, at least up to a certain point, expand automatically with the developing needs of the individual. The longer the customary period during which the individual person is nurtured by the family without much active search for goods on his part, the greater the degree to which consumption activities will be accepted and participated in by mature individuals without much individual conscious rational direction of those activities. There is no time at which a person *becomes* a consumer. He just goes on from the very first continuing to be a consumer, and accepting those consumption processes to which he has more or less unconsciously become accustomed and to which he has adapted himself.

In contrast with this, the individual does become a producer at some fairly definite and usually mature age. Thus, the problems which he experiences as a producer are much more likely than are consumer experiences to register themselves with force upon his consciousness. Individuals in general may thus be said to be naturally more conscious of the "producer" or "labor" side of their lives. It is only when the individual has the consumer aspects of his life called to his attention that he becomes actively conscious of the basic and intricate problems which confront him in this

sphere. Recently numerous students of economics have singled out consumption aspects of economic processes for special study, and the general effect of this has been to arouse widespread interest in consumer problems which previously lay half-hidden among the customary and routine practices of our economy. This development has come rather naturally with the maturing of our economic life, and with the devotion of more and more effort to a scientific analysis of its nature.

2. The increasing realization by the consumer that singly he can know little about the products he buys. The increasing diversity of goods available to consumers and the baffling proliferation of styles, shapes, colors, substitutes, and sizes have brought home to the consumer as never before his helplessness as an individual in trying to make those choices which will yield him the most satisfaction for a given expenditure of money. The technical knowledge needed to buy intelligently in just *one line* of goods, such as textiles, automobiles, housing, or foods, would require almost a lifetime to acquire. Various books, such as *Your Money's Worth* (S. Chase and F. J. Schlink, Macmillan, New York, 1927) and *A Hundred Million Guinea Pigs* (A. Kallet and F. J. Schlink, Vanguard, New York, 1933), and numerous periodical and pamphlet articles have completed the job of persuading the consumers of their individual helplessness. A monthly "digest" of articles of interest to consumers has recently appeared on news stands. "Consumers Research" and "Consumers Union," testing bureaus which give confidential information to their consumer-members, represent collective efforts to dispel this individual ignorance.

3. The increasing feeling by consumers that they are not greatly helped, and often actually handicapped, by the influence of modern advertising upon their choices. Criticisms of modern advertising are so familiar to all of us that little need be said on this subject. False claims, ridiculous exaggerations, and meaningless statements too often make up the bulk of attractive advertisements, while testimonials and appeals to fear of social offense represent the lowest possible form of bludgeoning the consumer into making choices of questionable merit. Increasingly large and vociferous groups of consumers are protesting such tactics.

4. The consumers' increasing conviction that retail mark-ups are unnecessarily high and include unjustified items of so-called "cost." Much waste and duplication of equipment and effort in the retail field obviously react upon prices, to the detriment of

the consumer's purse. The costs of modern advertising and selling devices, which are often of little or no help to the consumer, are figured into retail prices as legitimate cost items. The cost of carrying credit customers and of losing bad debts in many cases is borne by cash customers. The costs of operating delivery services are spread over all merchandise handled, including that carried away by the buyer. Overhead costs of merchandising equipment, more elaborate than is desired by many buyers, are nevertheless borne by prices paid by all buyers. Many consumers today challenge these and other similar cost items in retailing, and feel that there should be some way of reducing mark-ups which superficially appear to cover merely merchandising costs.

5. The unwillingness of manufacturers and sellers to grade and label merchandise in terms meaningful to consumers. In practically every line of consumers' goods, there is an attempt made to use terminology which will carry to the consumer implications unwarranted by the qualities of the merchandise. Thus "solid mahogany" furniture within the trade may mean mahogany veneer or gumwood, but to the consumer-buyer it means something quite different. Such terms as "all wool," "pure silk," "guaranteed," "gold-filled," "seasoned," and many others, actually mean something quite different than the common usages of these words convey to the consumer. Many of the terms used in labeling packaged or canned foods are practically meaningless. Such terms as "first grade," "prime," "fancy," "de luxe," "giant," "pure," "home-made," carry to the prospective buyer meanings very different from those attached to them by the manufacturers and sellers. When bottled olives are labeled "large," "extra large," or "giant," how is the buyer to know that the term "small" is never used, and that the olives labeled "large" are really the smallest put on the market for sale? The federal government has established a system of grading canned goods, specifying what qualities each article will have to possess before it can be labeled "A," "B," "C," or "D." Since these specifications are also available to consumers, this plan offers the consumer a method whereby he can tell just what the label means. As the federal government has no power to force canners to use this grading system, it has tried to induce them to accept it voluntarily. Today, only an insignificant portion of canned goods is coming to the market labeled in accordance with this system, practically all canners still preferring to label their product with such terms as "fancy" and "de luxe" which, since they can

mean anything, actually mean nothing. The unwillingness of the producer to make labels talk in terms understandable and meaningful to consumers has aroused many vigorous protests.

6. The lack of governmental interest in consumer problems. For many years such federal agencies as the Department of Commerce have spent millions of dollars annually in assisting producing concerns to solve their problems and to find domestic and foreign markets for their products. Through the Bureau of Standards the federal government has made its own purchases on the basis of scientifically tested qualities of commodities. Meanwhile the consumer has drawn comparatively meager benefits from such activities as the enforcement of an antiquated and inadequate Pure Food and Drugs Act, and has indirectly benefited somewhat from anti-trust legislation. State governments may have done more, but still exceedingly little, to assist consumers. In the formulation of National Recovery Administration codes, consumer interests, compared to industrial and labor interests, were represented by a third-rate agency with practically no power to modify code provisions for consumer protection. Approved codes contained a variety of provisions clearly detrimental to consumer welfare. While code writers in many cases were permitted to put into codes collective price-control practices and provisions for the destruction of new and more efficient distribution agencies, they absolutely refused, and were not required, to write into codes provisions for grading and labeling goods in ways which would assist consumers to make more intelligent choices. In general, it may be concluded that governmental agencies in the United States have not been substantially sympathetic to, or interested in, consumer problems.

7. The pressure on consumers during depression years to stretch their dollars as far as possible. This pressure came automatically with the deepening of the depression of the early 'thirties. It undoubtedly caused consumers to do more careful buying than they had been accustomed to do during years of prosperity. Although its influence may be transitory, it has nevertheless served to stimulate widespread and intense interest in problems faced by the individual consumer.

8. The growth of consumer cooperatives in Europe. One of the most important stimulants to interest in consumer cooperatives is the development of the movement in certain parts of Europe, particularly in Great Britain and the Scandinavian countries. After various sporadic attempts at consumers' cooperation in Great

Britain, the movement really got a foothold with the organization of a cooperative by some twenty-eight textile workers at Rochdale about one hundred years ago. Since then the practice of consumers' cooperation has spread throughout the country, but never at a phenomenal pace. Gradually wholesales have been organized by the cooperative retail groups, and in some instances even manufacturing units have been acquired. The case of tea is usually cited as evidencing a completely integrated consumer cooperative activity, since the cooperatives have acquired tea plantations in the Orient, and own and operate ships for transporting the product to Great Britain. There are some 1,100 cooperative stores in Great Britain, with about 7,000,000 families as members. About \$500,000,000 of capital is owned by the cooperatives, which do as much as 40 per cent of the total retail trade in certain lines in which they specialize. In Sweden about 10 per cent of all retail trade, and 20 per cent of the retail trade in footstuffs, flows through consumer cooperatives in which approximately one-third of the population hold membership. In Finland, one-half of the population are members of consumer cooperatives. It is estimated that about 100 millions of families are connected with consumer cooperatives the world over. (This does not include "consumers' cooperatives" operating in the Soviet Union. These are so closely regulated by the government and so intimately integrated with the socialized economy that they are basically different from consumer cooperatives operating in other countries.)

This European experience has been noted by students of economic affairs for many years and has been popularized by such writers as Marquis Childs in his *Sweden, the Middle Way* (Yale University Press, New Haven, 1936). The "middle way" out of our economic difficulties appears to Mr. Childs and others to be a sort of capitalism modified by a large dose of consumer cooperation. Thus there is established a kind of economic balance which forestalls the development of certain of capitalism's worst sins—such as private monopoly—making unnecessary the more drastic revisions of capitalism proposed by socialists and communists. This idea of a "middle way," whereby our economy can be gradually and substantially modified in the interest of the welfare of the masses without harming anyone a great deal and without a violent upsetting of existing economic institutions, has appealed mightily to many Americans and accounts for a substantial portion of the current interest in consumers' cooperation in the United States.

9. The idealistic appeal consumers' cooperation makes to many religious groups. Not a few adherents of Christianity and other religions have experienced intellectual difficulty in their attempts to square the basic principles of capitalism, and its profit motive, with their religious principles. To many persons so troubled consumers' cooperation has made a strong appeal, with its ideal of "cooperation" substituted for "competition," and its ideal of the mutual sharing of benefits instead of personal acquisition of profit. Since the consumers' cooperative movement has proclaimed itself neutral on religious matters, it offers excellent opportunities for joint endeavor by Protestant, Catholic, and Jew. These factors, together with the emphasis the movement places upon gradual modification of existing economies without substantial injury to anyone, make it in the minds of many troubled religious leaders the highest expression in the economic sphere of the best religious principles of all creeds. Consequently, various religious groups have started intensive study of consumers' cooperation and have engaged actively in propagandizing for the movement and in founding and nurturing consumers' cooperative buying clubs operating on the Rochdale plan.

CONSUMERS' COOPERATIVE EDUCATIONAL METHODS³

By E. R. BOWEN

(General Secretary of the Cooperative League of the United States)

Consumers' cooperation has been described as an economic movement which uses educational methods; it has likewise been described as an educational movement which uses economic methods. It is a practical demonstration in the economic field of the progressive theory of education of combining learning and living.

The report of the Inquiry on Cooperative Enterprise in Europe appointed by President Roosevelt, which has just been released, says in a section devoted to Educational Activities of Consumers' Cooperatives:

To live, a cooperative must have a loyal membership with a broad understanding of its purposes and methods. To grow, it must "sell" the cooperative idea to prospective members. That is why the cooperative movement attaches such great importance to its educational and propaganda work.

³ Quoted, with permission, from *The Annals of the American Academy of Political and Social Science*, May, 1937, Consumers' Cooperation, pages 76-83.

In this article we will divide the activities covered by the general word "education" into two divisions—those which are commonly described as "publicity or propaganda," and those which are more definitely described by the name "education." Cultural or recreational activities will be included in the discussion of education. There will be no attempt made to discuss activities having directly to do with the business side of the movement, which are of a sales promotion nature.

To enlist the interest of new members as well as to increase the interest of old members, the consumers' cooperative movement uses principally four types of effort which may be called by the names of platform, press, pictorial, and printed matter.

. . . A discussion of cooperative education falls rather into four divisions according to the groups to be reached. These four groups are the general public, members, youth, and employees. The methods of education which have proved most effective will be discussed as related to each group.

THE GENERAL PUBLIC

Naturally the most fundamental means of educating the general public to the facts about the consumers' cooperative movement are the public and private schools. It is assumed that such use of the term "schools" includes all levels—grade schools, high schools, and colleges.

It should be emphatically stated at once that the cooperative movement does not desire or advocate that such schools be used for propaganda purposes; it only asks that the facts about the ninety-year development of the movement be taught. Thus far there has been only meager reference to the movement in economics, sociology or history texts; mathematics and business problems are not given in which earnings would be distributed in proportion to sales as is done in the cooperative movement; few special courses in the principles and practices of the cooperative movement have been given.

Educators are now, however, becoming active in laying the groundwork for the teaching of the facts about this world-wide movement which accords in every way with the American ideals of liberty, equality, and democracy. The state of Wisconsin has passed a law providing for the teaching of the subject in the schools of the state. Educators in other states are interesting themselves actively in the problem of the inclusion of the subject in

the curriculums of their states either through a state law or by voluntary action on the part of those who decide upon the courses of study. There can be no question as to whether the facts about cooperation should be taught, nor is there any real uncertainty that, in democratic America, this will eventually be done. Educators in every state, however, have the responsibility of seeing to it that prompt action is taken to avoid the possibilities of dictatorship while there is yet time. Immediate action is needed to make up for failure to cover the subject adequately during the past years.

All textbook writers should follow the course of those who are now giving a more thorough treatment to cooperation in their new texts in various fields. . . . Special texts and teaching units are developing for the different grade levels. A sixteen-page teaching outline was published in the January 1937 issue of the *Journal of the National Education Association*, which has a circulation of more than 200,000.

Another method of educating the general public is through adult education programs. America is now in the midst of a wave of growing interest in adult education. This interest is tending largely toward the organization of forums. These are, however, perhaps more correctly classified as methods of publicity rather than of education, and have accordingly been included in the first section of this article under the subtitle of platform publicity. It is not believed by the cooperative movement that real education begins to any great extent until small groups are formed in study circles to follow up the presentation made in a general forum. Such small groups will be more thoroughly discussed under the section to follow on member education.

Likewise, America is now awakening to the great need for a far more extensive workers' education program. By workers' education is meant education in the social sciences rather than vocational education. Through labor and farm organizations and encouragement by the government, a constantly increasing number of classes are being organized. Consumers' cooperation is taught in such classes and is naturally a commonly chosen subject by such workers' groups.

Libraries are now issuing lists of cooperative books for their readers. The subject of action as consumers is the liveliest and most potent in possibilities of any economic subject today. Every library abreast of the needs and current interests of the people will pro-

vide and feature the standard current books on consumers' cooperation.

By instruction in public and private schools and colleges, by adult education forums and study circles, by workers' education classes, and by library bibliographies, the people of America are learning that consumers' cooperatives are one of the important means to the building of an economic democracy.

MEMBER EDUCATION

Some cooperatives have only annual meetings, others meet twice a year, and quarterly meetings are not too often for the members of a cooperative to meet. When quarterly meetings are held, the business to be done is naturally less, and more time can be spent on an education program as a part of the meeting. It is not enough that there be a speaker; the vital thing is that there be plenty of time allowed for discussion from the floor and for the asking and answering of questions.

A series of weekly forums of from four to six weeks in length is proving to be a most excellent way of developing in local cooperatives a nucleus of people who are thoroughly grounded in cooperative principles, who are fully familiar with the current facts that every member should know, and who, as a result, are active in participating in the work of committees and capable of becoming directors.

The organization of study circles was mentioned previously. Dr. Oscar Olsson of Sweden is given credit for having suggested this method of education and developed it to a high degree. . . . As Sweden led the way in the study circle movement in Europe, and other countries are now following, so Nova Scotia has led the way in America in demonstrating the success of this technique of cooperative education, under the leadership of the Extension Department of St. Francis Xavier University of Antigonish.

. . . The distribution of literature is also one of the most effective ways of interesting new members. Both the sale and the loan of literature should be provided for by every cooperative association.

A cooperative is a democratic organization where every member has an equal controlling voice and vote. Only a loyal and informed membership can operate a democratic cooperative organization with the greatest degree of success. It is for this reason that co-

operatives provide the funds and the facilities for the education of their members in the principles and practices of the movement.

YOUTH EDUCATION

It is natural that recreation and education should be combined in the organization of a youth education program. Group games, dancing, and singing are not only a means of attracting youth but are also the expression of cooperative activity. Special institutes of a week in length have proved to be highly successful in attracting a large attendance and in providing a sufficient length of time for the effective presentation and discussion of the general facts about the movement.

Usually led by those who have attended such institutes, there are then formed youth groups in local cooperative associations which affiliate in regional and national federations. These local groups meet monthly or oftener and serve effectively in developing their members in the knowledge of the movement, in experience in cooperative organization methods, and in providing recreation of a cooperative nature.

Widespread interest and participation have resulted where wholesale cooperatives have provided opportunities for essay and public speaking contests among the younger members of their affiliated retail cooperative associations. The prizes awarded are usually scholarships. The large attendance at the elimination and final contests proves the popularity of this method of youth education.

EMPLOYEE EDUCATION

The necessity for a thoroughly trained staff of employees is generally recognized by the cooperative movement, and training methods of various kinds and degrees of intensity are provided.

The simplest form of employee education is that of regular meetings one night a month or oftener. Where there are a sufficient number of employees, such meetings are held by each local cooperative association; area councils within convenient distances are also organized.

Short two-or three-day institutes are being developed extensively by wholesales for the employees of their retail associations. These are usually held semiannually or annually, and provide an effective means for the presentation of current information relative to commodities and organization matters in general. In some cases

such short-time institutes are arranged for week-ends at summer camps. Instruction is usually by the staff members of the wholesale, with an occasional outside speaker on some topic of current importance to the cooperative movement, such as legislation.

But single-night meetings or short-time institutes are not considered at all sufficient for the proper training of cooperative employees. Training schools of from four to eight weeks in length are organized where groups of prospective and present employees can be given intensive training. Where possible, such groups often provide their own food and housing on a cooperative basis at cost. The subjects covered include technical training in accounting, merchandising, stock keeping, and similar topics, as well as public speaking and writing, and the history and practice of the movement. A beginning has been made in the conducting of such courses under the joint auspices of cooperative associations and state universities, whereby the cooperative and the university jointly supply the instruction staff. In the case of one cooperative wholesale group in America, more than five hundred have received diplomas from their employee training school.

Thus far there are no such schools in America which conduct regular sessions each year, as there are in Europe. A Cooperative Institute is now being projected to open in the fall of 1937, which plans to conduct four-months courses. In Europe, regularly organized cooperative colleges have been set up in different countries. A member of the staff of Teachers College of Columbia University has stated in an article, written after a summer spent in Europe, that the training given students at the Swedish Cooperative College was the best technical training he had ever observed. In the Swedish college particular emphasis is laid on actual practice and on group activity.

Correspondence courses are a major part of employee training in European countries, but have been little developed as yet in the United States. They are a requisite in Sweden before anyone can be admitted to the resident college.

Those who look upon cooperation as a way of life as well as a way of conducting business are strong advocates of the folk-school type of training which originated in Denmark and has spread to other Scandinavian countries. In such schools there is an emphasis on the spiritual foundation of cooperation. Such schools are set up on a basis of group living and group activities. It is said that 80 per cent of the leaders of the cooperative movement in Denmark

are graduates of folk schools. There is a growing interest in such a type of training in America. The few folk schools in existence here are giving instruction in cooperation in their courses.

COOPERATIVE RECREATION

A discussion of this subject would not be complete without reference to the growing emphasis which is being placed on the development of cooperative recreation among the cooperative associations in America. It is fully recognized by leaders of vision in the movement that the end-result and final purpose of the movement is to develop a new way of living of a cultural nature. Co-operators are laying the groundwork for the increasing use of the leisure time which automatic power and the cooperative organization of distribution and production will make possible, in recreational activities of a cooperative rather than a competitive nature. Group singing, group dancing, group games and drama are being promoted. A National Cooperative Recreation Institute has been organized which conducts ten-day training courses for cooperative recreation leaders each year. [Editor's Note: Rochdale Institute, National Training School in Consumer Cooperation, is now in its fourth year. It was established by the Cooperative League of the United States for personnel training.]

COOPERATIVE EDUCATION BUDGETS

Provision is made in cooperative laws for the setting aside of a portion of the earnings for educational purposes. . . . There is a growing tendency toward the increasing use for social purposes of the savings made by both wholesale and retail cooperative associations, in providing additional facilities for cooperative learning and living.

CONSUMERS' COOPERATION AND POLITICAL ACTION⁴

By GEORGE W. JACOBSON and IVER LIND

(Midland Cooperative Wholesale Society, Minneapolis)

Consumer cooperation, a mutation of capitalism, has been compelled to cultivate relationships towards capitalism and institutions like the political state which would afford it a maximum opportunity to live and develop. It is this practical consideration which

⁴ Quoted, with permission, from *The Annals of the American Academy of Political and Social Science*, May, 1937, Consumers Cooperation, pages 84-90.

has conditioned the historical relationship of consumer cooperation to political action.

Broadly speaking, this relationship manifests itself in three ways, depending upon the objectives envisioned for the movement by the constituent membership and upon the political environment in which it has grown. Of these manifestations, the first we wish to consider is conformity to the political *status quo*; second, militant partisan opposition to antagonistic political régimes; and lastly, aggressive use, on a nonpartisan basis, of all the machinery of government to protect the rights and opportunities of consumers to organize cooperatively and to maintain the movement itself by its sheer economic value.

Complete conformity on the part of cooperatives to the political *status quo* is found where political and economic freedom is dead. The best examples of this situation are the modern dictatorships, Nazi Germany, Fascist Italy, and Communist Russia. The movement has suffered not only abject conformity in these totalitarian states, but also outright annihilation. This is an understandable situation. The totalitarian state, either of the right or of the left, holds that everything exists for the advancement of the state, and anything that does not conform to this purpose, be it men or institutions, is ruthlessly compelled to fall in line or be destroyed. Economic and political freedom is the antithesis of the totalitarian state; it is the very lifeblood of a cooperative economy. Consumer cooperation is rooted in the economic laws of abundant production and exchange of wealth and unrestricted freedom of consumer choice. Therefore it is questionable if, while adhering to the Rochdale principles, it could revive and flourish in a dictatorial environment. If cooperation does revive, it will indicate that there is something inherent in modern mass production and distribution, even in a dictatorial state, which for the sake of its own efficiency must make operative the great economic principle of free choice of economic goods by people as consumers to satisfy their needs and desires.

Based on the record to date, it seems that the opportunities of consumer cooperation to develop in the totalitarian state are meager. A limited development appears in Italy, cramped to perform within the rigid pattern of the Fascist Corporate State. The Communist dictatorship of Russia created a vast consumers' development in the towns, but this artificially created structure was recently as summarily changed by dictatorial decree to state-con-

trolled enterprise. In Germany the cooperatives have been absorbed by the *Reichsbund*—a creation of the Nazi dictatorship. These examples indicate that the relationship of consumer cooperation to political action in a totalitarian state can only be that of conformity or annihilation.

The principle of political conformity is also manifest in cooperatives existing in democratic states where the purpose of such cooperatives is to serve as adjuncts or feeders to some capitalistic reform movement usually dominated by the producer point of view. Good examples are some of the purchasing cooperatives throughout the United States controlled by the members of farm organizations and marketing associations. These purchasing cooperatives exist primarily to enhance the income of their patrons as producers, rather than to reduce the cost for these patrons as consumers. This point of view usually embraces the profit motive, and consequently sees eye to eye with the capitalistic *status quo*.

. . . The second manifestation cited—that of conscious partisan political action—is present in the movement when its members hold other objectives to be more important than the attainment of a consumers' economy. Consumer cooperation in these instances is considered merely a means to ends other than its own development. The end sought is sometimes the advancement of a revolutionary political movement such as Communism or Socialism, or an immediate political victory for some reform party such as the Farmer-Labor Party in Minnesota. Then again, it may be advanced by ardent cooperators who look upon consumer cooperation as a means of avoiding impending dictatorships of either the right or the left. Whatever the outside objective may be, these adherents consider it so important as to overshadow the advancement of consumer cooperation as a movement. They are political actionists first, and cooperators second.

Probably the strongest argument in behalf of this active political use of the movement is the fact that in great economic crises consumer cooperatives have found it expedient either to form a political party of their own as they have in England—the Cooperative Party—or to work through an existing party directly or more often indirectly. Good instances of the latter method are the close and friendly relations existing between the cooperative movements and the Social Democratic parties in certain countries of continental Europe. Another strong argument in favor of militant

participation is furnished by the fate of the cooperative movement in totalitarian states.

The important question is, What relationship to political activity will most effectively guarantee the existence and induce the continued growth of consumer cooperation as a system within itself; and, in a complementary sense, in what governmental climate will existence be most secure and growth most possible? The answer to the first point may be found in the overwhelming opinion of cooperators throughout the world that partisan neutrality to political action is the most effective relationship. This is the official attitude of the world cooperative movement as expressed by the International Cooperative Alliance. The answer to the second point, based on the record, is that democratic government is the best political environment for the movement.

. . . Thus we find the consumer cooperative movement to be strongest in countries where it has "minded" its own business and at the same time protected itself through obtaining necessary legislation on a nonpartisan basis. By virtue of economic strength gained through performance, tolerance, and education, it becomes secure and influential. An excellent example of this is found in Sweden. The Swedish movement has given no active support to any one political party, but it has earned the respect of all parties and the support of most of them. . . . In Finland cooperation has reached the place of controlling 40 per cent of the retail trade, without bias to any one political party. Even the English movement, with its Cooperative Party, has gained its legislation through influence within all parties, especially those in power, and not through the Cooperative Party.

Here in the United States, consumer cooperation has gained most recognition in law where it is economically strong, as for example in the states of Minnesota and Wisconsin. In these states no political party in power would attempt to pass legislation injurious to the free growth of consumer cooperation, because such action would spell certain defeat at the next election. The cooperatives are influential in state government not only because of their number but also, and perhaps more significantly, because of the aggressive educational policies pursued by cooperative wholesale organizations in these states in making their members conscious of the economic value of cooperation.

In Minnesota, leaders in all parties, even the Republican, advocate the furtherance of cooperation, and both major parties, Re-

publican and Farmer-Labor, have passed beneficial legislation when in power. The enabling laws legalizing consumer cooperation in Minnesota were enacted under a Republican administration. There has been a tendency in Minnesota in recent years, however, for conscious cooperators to support the party which has been most outspoken in its advocacy of consumer cooperation and social reform, namely the Farmer-Labor Party. Recent indications are that this attitude may involve the cooperative movement in partisan conflict, and time alone will prove whether or not this will be detrimental to cooperation.

The history of the progress of the cooperative movement wherever the policy of neutrality has obtained indicates the wisdom and effectiveness of this method.

. . . The winning of legal recognition has always been the first task of cooperatives everywhere. The early cooperatives were established without benefit of cooperative statutes. They won distinct legal status after many years of struggle, and they won legal permission to extend their nature and operations by an aggressive non-partisan pressure through existing political agencies. Even today, in every legislative session in states such as Minnesota and Wisconsin there is a grist of cooperative bills representing the desires of cooperatives to extend the legal limitations within which they operate. The cooperative law in the United States is still in its formative stage. It is significant that there is no Federal statute regarding cooperation or cooperatives.

TAXATION, REGULATION, AND GOVERNMENT AID

In the field of taxation the cooperatives have needed to make use of every available means to defend themselves from attack. This conflict has centered largely around the net income tax, and in England the gravity of the danger forced many cooperators to the conclusion that they must establish their own party to protect their interests; but it is undoubtedly true that their use of other means has been just as effective protection as the existence of the Cooperative Party.

The same may be said of the conflict within the field of regulation. Cooperatives in danger of annihilation by regulation have used all political means at their command, but have generally found it detrimental to make their protection a partisan issue.

In recent years cooperatives have been securing more and more of the same aids and services from government as other business

has obtained. They have sought facilities for research, information, and education. They have insisted that schools, for example, should include study material about the cooperative movement, and that government business services should aid them as much as they aid other types of business activity. Cooperatives have also secured financial help in the form of loans, on the same basis as other business, and not because of any partisan favor. Thus it may be seen that under the conditions made possible by a democratic government, the cooperatives have advanced gradually because of the economic strength they have been able to exert through non-partisan political means.

CONSUMERS' COOPERATION IN THE UNITED STATES⁵

By FLORENCE E. PARKER

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Historians appear to be in agreement that the first known instance of purely consumers' cooperation in the United States was the buying club started by one John Kaulback, a tailor living in Boston. In 1844 he induced the members of his labor union to undertake joint buying of their household supplies and distribute them at the weekly meetings of the union. The first purchases were a box of soap and half a box of tea. From this small beginning the business grew until in 1845 a store was opened. By 1847 twelve "divisions" had been formed and these united in that year to form the Workingmen's Protective Union (later changed to New England Protective Union).

This organization did not operate on Rochdale principles, except that goods were sold for cash. Dividends were paid, not in proportion to purchases, but on capital stock, and goods were sold at or as near cost as possible.

The Union had a rapid growth and at its peak (1852) comprised 403 divisions, with aggregate sales of some \$1,700,000. Though the main strength was in the New England States, it had divisions also in New York, Ohio, Illinois, and even Canada. One store was started in Oregon.

While the organization was at the height of its success, dissensions led to a division in the membership in 1853. One faction,

⁵ Quoted, with permission, from *The Annals of the American Academy of Political and Social Science*, May, 1937, Consumers' Cooperation, pages 91-102.

including the founder, withdrew and formed the American Protective Union. This organization also was measurably successful and influential, though not over so wide a territory as the parent body, and the annual business of its stores reached an aggregate of about \$2,000,000. It had local divisions in New England and New York.

Both organizations began to decline by 1858 and both went out of existence under the stress of conditions at the outbreak of the Civil War. Some of the individual stores of each organization continued in operation, however, and some of them lived for many years.

DEVELOPMENT AFTER CIVIL WAR

After the Civil War the next attempt at consumers' cooperation of which there is record was that of the Patrons of Husbandry, which accepted only farmers into membership. Founded in Washington, D. C., in 1866, this order spread throughout New England, through the Middle Eastern States and, into the Mississippi Valley.

. . . The exclusion of all except farmers from the Patrons of Husbandry led to the formation, in 1874, of the Sovereigns of Industry, intended primarily for the wage worker. As far as is known, this was the first American cooperative of any size which operated on the Rochdale principle of return of savings in proportion to patronage.

This organization had a speedy but unstable growth. By 1875 it had 310 councils and about 40,000 members. It went to pieces in 1879 after the depression of 1874-1878, but some of its stores survived for many years.

. . . The Knights of Labor was responsible for another wave of interest in cooperation during the early 1880's. That organization, however, was interested in the formation of workers' productive rather than consumers' enterprises.

During the 1880's, also, local associations were formed in New England by immigrant mill operatives from England and other European countries. Very often the nationality of the founding group was incorporated into the name of the association, which advertised itself, thus, as German, Swedish, French, or Belgian.

The Middle West felt the effects of these successive early movements, one after another. Each came, opened its stores, had its brief success, faded, and passed out, leaving only here and

there a lone survivor. During this early period, however, one branch of cooperative activity was entered which has continued ever since. This was the farmers' township mutual fire insurance companies, still found very generally throughout the upper and middle Mississippi Valley States.

. . . Although there was a slow growth of cooperative stores in various sections during the next few years, most of this was the result of spontaneous development by local groups, rather than of promotion by a central organization.

Shortly after 1900, members of the newer immigrant groups undertook cooperative activities. Among these were the Lithuanians and the Finns, whose favorite forms of enterprise were stores and cooperative bakeries. The Finns, indeed, have never lost their interest in the cooperative way of life, and their cooperative associations form one of the strongest elements in the cooperative movement in this country today.

. . . Mostly these were isolated, independent societies. Various agencies including the Right Relationship League of Chicago, were urging unification, and state-wide unions actually were formed in California, Kansas, and Washington. California, with its 68 societies and a wholesale company, appeared to have the strongest and most successful movement. Loose business methods, keen competition, and the panic of 1907 all contributed to the difficulties of the movement, and by 1910 both the stores and their wholesale were in need of strong remedial measures. In 1913 the highly centralized Pacific Cooperative League was formed in the attempt to save the situation.

EXPANSION PERIOD, 1914 TO 1921

The years immediately preceding the outbreak of the World War were those of increasing unemployment. As industry began the manufacture of war supplies, employment improved, but prices rose rapidly. Wages also began to rise, after an interval, but unevenly and less rapidly than prices. With these factors predisposing the minds of working people to any measure which seemed to offer a remedy, interest in consumers' cooperation awoke.

The labor movement grew interested. The American Federation of Labor in its 1917 convention indorsed consumers' cooperation as a "twin remedy" with trade-unionism. A committee on cooperation was appointed, a lecturer and a field man were engaged,

and \$50,000 was appropriated "for advancing the cause of cooperation throughout the United States."

The miners' unions took up the cooperative idea with enthusiasm, especially in Illinois and Pennsylvania. Stores were started throughout the mining regions not only of these states but also of Ohio and Indiana. Miners' stores had existed in Illinois since 1901, but the years following 1913 saw a revival of this interest on a much wider scale.

Railway workers started stores in various railroad centers. The Brotherhood of Locomotive Engineers, through its president Warren Stone, assumed a leading rôle in fostering the idea of joint farmer-labor cooperatives through which there would be direct producer-consumer relationships. To this end, several farmer-labor conferences were called at which were present representatives of labor organizations, farmers' organizations, and consumers' cooperative associations. The All-American Cooperative Commission was formed to carry on the work between conferences.

The Brotherhood of Maintenance of Way Employees, with its thousands of low-paid members, undertook to produce in cooperative factories the work clothing used by its members. A huge program was outlined and several million dollars of the Brotherhood funds went into this scheme, which was later discontinued with heavy losses.

. . . A very real need for education in the understanding of cooperative philosophy and in proper procedures was evident. To meet this need the Cooperative League of the United States was formed in Brooklyn in 1916, with Dr. James P. Warbasse as its president. Headquarters were established in New York City. During the next few years much correspondence was carried on by the League, wide contacts were established, societies were visited wherever possible, and always the principles of true cooperation were emphasized.

The need for organized activity, for wholesaling facilities, and for exchange of experience was soon recognized by some of the leaders. Wholesales were organized here and there. In San Francisco, the Pacific Cooperative League had already been in existence for several years. In 1917 the Cooperative Wholesale Society of America (St. Paul, Minnesota) and the Cooperative Central Exchange (Superior, Wisconsin) were organized to act as buying agencies—the first for farmers' societies in Minnesota and North

Dakota, and the second for the Finnish societies in northern Minnesota and Wisconsin. The next year a group of stores in and around Pittsburgh started the Tri-State Cooperative Association; and the Central States Cooperative Wholesale, an outgrowth of central activities inaugurated as early as 1915 by the miners' societies in Illinois, began business.

In 1918 the Cooperative League called its first congress. The meeting was held in Springfield, Illinois, for Illinois was at that time the scene of one of the most lively and widespread cooperative developments. The cooperative wholesales and, it was claimed, five hundred store societies were represented.

. . . The year 1919 witnessed the formation of three new wholesales—the New England Cooperative Wholesale (Boston), the Associated Grange Warehouse Company (Seattle), and the National Cooperative Wholesale (Chicago). In that year also was launched the Cooperative Society of America, a common-law trust of which the leading spirit was Harrison Parker. This pseudo-cooperative organization during the next few years succeeded in luring more than ten million dollars from the pockets of the working people in the vicinity of Chicago, organized some two hundred stores over a wide area, entered many different lines of business, and wove an intricate financial web which even the accountants were unable to untangle and which Parker admitted that he himself could not understand. It went into bankruptcy in October 1921.

The National Cooperative Association was incorporated in April 1919 to serve as a nation-wide wholesale. It did not begin business until September, but before the end of the year it had established headquarters in Chicago and branch warehouses in Seattle and Hoboken. Departing from the instructions given at the League's Springfield congress, the leaders worked out a plan for a chain of retail stores to be operated by the wholesale. Division on this point developed almost immediately among the temporary directors.

When the 1920 congress of the Cooperative League met, at Cincinnati, a sharp cleavage of opinion was evident. Indeed, the meeting soon resolved itself into a trial of the National and its officers, and finally, upon vote of the convention, the delegates from the National were unseated.

Another organization came under fire at the meeting. This was the Pacific Cooperative League, charged with autocracy, question-

able business methods, and being a "top-down" organization, forming new associations to bolster its failing fortunes. And the "American plan," followed by the miners' cooperative associations in Illinois, was called in question because of its high degree of centralization. Under the American plan all buying and bookkeeping were done by the wholesale, and the local managers were chosen by it. It was claimed for the plan that it was "fool proof and thief proof"; that under the peculiar conditions existing in America, the Rochdale methods would not work and some new plan was necessary in order to develop the movement "rapidly and safely."

This congress organized the Cooperative League as the permanent national body of the movement, and authorized the formation of state leagues with local autonomy and for district federations within the state.

The National Cooperative Wholesale and some of the regional wholesales were already in difficulties at the time of the 1920 congress of the League. Though the National's officers made desperate efforts to evade the threatening disaster, the Seattle branch had to close August 1920. Its Hoboken branch went into receivership in December 1920, and the Chicago office in January 1921. The Cooperative Wholesale Society of America (St. Paul) and the Tri-State Cooperative Association (Pittsburgh) failed about the same time as the National. The Pacific Cooperative League, which had become involved with the fortunes of the National in Seattle, managed to stave off the inevitable until March 1922, when it too went into bankruptcy.

. . . Several of the regional wholesales—notably those which had remained strictly aloof from the ambitious program of the National—survived, but suffered considerable losses in volume of business, partly because of falling prices and general economic conditions and partly because of the failure of some of their member associations. Among these survivors were the Cooperative Central Exchange and the Associated Grange Warehouse Company.

The Central States Wholesale, which had gone into receivership in July 1922, adopted a plan for reorganization on a Rochdale basis. This reorganization was completed in 1923, and the American Rochdale Plan, for which so much had been hoped and claimed, became history. The Central States organization was left as a federation of 25 independent Rochdale societies, but it steadily lost ground in the next few years and its affairs were finally wound up in 1926.

The early 1920's saw the beginning and rapid growth of the cooperative oil associations and a renewed and increasingly rapid expansion of the credit unions. The onset of the depression, however, had marked a definite turning point in the formation of new store societies. Efforts were devoted to holding as much as possible of the ground already gained. The importance of building reserves against unexpected losses and unforeseen difficulties was more and more realized. Greater attention was given to proper accounting methods and to the submission of the books of periodic audit. The wholesales in Seattle and Superior began to furnish auditing service for their members. In order to carry on more intensive educational work in both cooperative methods and sound business procedure, several regional leagues, affiliated with the Cooperative League, were formed—in the Northern States in 1922, in the Eastern States in 1925, and in the Central States in 1927.

. . . Cooperative housing, which dated from about 1916 and had had a very limited development, received new impetus when the Amalgamated Clothing Workers entered this field in 1927. A survey made in New York City early in 1924 disclosed that at that time the Finnish groups owned cooperatively ten apartment buildings housing, altogether, 450 families. During the years 1927-1931 the Amalgamated Clothing Workers constructed successive groups of cooperative apartment buildings accommodating in all 857 families. In 1929, also, Consumers' Cooperative Services built a cooperative apartment building with 66 dwelling units.

Among the first difficulties to beset the organized consumers' cooperative movement after the onset of the depression was the dissension caused by the activities of the Communists in the ranks. Determined to capture the cooperative movement for Communism, they had made recurrent efforts in that direction since as early as 1921. The question became acute in 1926 but seemed to be settled by a vote by the societies to exclude all extraneous controversial subjects. Another Communist effort was made at the 1930 congress of the Cooperative League, but was defeated, whereupon the Communist faction withdrew not only from the congress but from the organized consumers' cooperative movement.

. . . The very existence of the cooperative movement was threatened by the industrial codes adopted under the National Industrial Recovery Act. To have been required to conform to the code provisions prohibiting trade rebates would have destroyed the distinguishing characteristic of the movement. The coopera-

tives were saved by three orders—two issued by the President and one by the National Recovery Administration—which assured to cooperative societies the privilege of returning savings rebates, of dealing with wholesale societies on the same basis, and of collecting brokerage commissions where due.

. . . Although sales fell sharply during the depression, they began to show increases in 1934 and this continued generally in 1935. Identical societies reporting to the Bureau of Labor Statistics showed increased sales in 1934 of 24.3 per cent over 1933, and in 1935 of 20.3 per cent over 1934.

. . . The sales of the wholesale associations have followed the same general trend as the local associations, but with a faster rate of increase.

. . . Other occurrences of interest since the beginning of the depression include the establishment in 1933 (by six regional wholesales) of National Cooperatives, Inc., a joint buying organization, as a first step toward a national wholesale organization; and the formation of three new regional wholesales—one in Texas, one in Washington State, and one in Illinois.

. . . During the years prior to the depression the Cooperative League had been making a slow, unspectacular progress. . . . Since 1930 the League has advanced at a greatly accelerated rate. By 1935 it comprised 1,500 local associations (affiliated mainly through the regional federations), with a combined membership of over 750,000 and annual sales estimated at \$50,000,000.

FARMERS' COOPERATIVES

Collective purchase of farm supplies and to some extent of goods for household use is an old story in agriculture. . . . Reports of the Farm Credit Administration show that since 1905 the number of farmers' cooperative buying associations has increased in each year except 1923, 1924, and 1925. Data are much less complete for the urban consumers' movement.

. . . The urban consumers' cooperatives and the farmers' purchasing organizations have, for the most part, developed along similar but parallel lines. The farmers' purchasing associations have not generally regarded themselves as consumers' organizations in any sense, and have had no contacts whatever with the organized urban consumers' cooperative movement.

The membership policies of the two movements have differed, also. Open membership is the general and accepted policy of the

urban societies, whereas the farmers' cooperatives generally limit membership to members of the sponsoring farm organizations (i.e., of the Grange, the Farm Bureau, and so forth), and the wholesales accept only local associations of their particular group. A departure from this time-honored policy was made by the Farmer's Union Central Exchange at St. Paul in 1936, when it voted to admit into membership several local urban associations whose patronage had earned refunds sufficient to purchase a share of stock in the wholesale.

The membership of the Cooperative League during the early years was almost entirely industrial, being composed of cooperative associations of workers in the needle trades and in the railroad, mining, textile, and other factory industries. Important exceptions, however, were the farmers' cooperative associations in Minnesota, Wisconsin, and northern Michigan. These were in the main the societies of Finnish and Scandinavian immigrants who had had experience in the consumers' cooperative movement in Europe. They identified themselves with the consumers' movement from the first, and in the early years of the League's existence were its chief support; they still form one of its most important sections. Early in the 1920's the Grange cooperative movement in the state of Washington also allied itself and was represented at the biennial congresses. The Farm Bureau cooperatives in Indiana, Michigan, Ohio, and Pennsylvania, although not affiliated, often sent fraternal delegates to its congresses. The farmers' wholesales dealing in gasoline and motor oil—The Midland Cooperative Wholesale (Minneapolis) and the Consumers' Cooperative Association (North Kansas City)—identified themselves with the League almost from their inception. The Farmers' Union State Exchange of Nebraska was also affiliated for a few years, beginning in 1930.

From 1926 onward, nearly every convention of the League has included consideration of or reports from some phase of farmers' cooperation. Recognition of the common interests of the farmers' and workers' purchasing organizations has been increasingly evident. This tendency was strikingly apparent in both the 1934 and 1936 congresses, where representatives of farmers' organizations—in the gasoline and oil, insurance, electrification, farm supply, and other businesses—were numerous and their problems and accomplishments formed a considerable part of the program.

Evidence of recognition that the consumer and farm groups

have important common interests is given by the fact that some of the most important farmers' purchasing organizations in the country have allied themselves with the consumers' movement by affiliation with the Cooperative League.

CONSUMERS' COOPERATIVES, 1939⁶

Substantial increases in volume of business done in 1939 by cooperative associations, both wholesale and retail, as well as in their net earnings, are shown by data obtained by the Bureau of Labor Statistics. This increase was accomplished in spite of a 2-percent drop in the level of both retail and wholesale prices as compared with 1938, and was in contrast to the situation in 1937 when the dollar sales of both types of associations declined. . . .

It is estimated that at the end of 1939 there were 4,350 retail distributive associations operating stores, buying clubs, and gasoline stations, with 925,000 members and annual sales of \$211,653,000. Associations providing various kinds of service (rooms, medical care, burial, housing, electricity, etc.) had an estimated total of 914, with 576,450 members and a business of \$5,815,000. Credit unions numbered 8,315, with an estimated membership of 2,421,000 and loans granted during the year amounting to \$240,500,000. No data were available upon which to make computations regarding telephone or insurance associations. It was estimated by the Bureau (See Bureau of Labor Statistics Bulletin No. 659.) that at the end of 1936 there were 5,000 telephone associations with 330,000 members and gross income of \$5,485,000; also that insurance associations numbered 1,800 with 6,800,000 policyholders and \$103,375,000 gross premium income. It is doubtful that the telephone associations have shown much, if any, increase since 1936; the insurance associations have increased, but the Bureau has no data showing the measure of the increase.

Retail cooperatives have federated and established wholesale cooperatives through which to purchase their supplies. These wholesales the Bureau of Labor Statistics classifies, on the basis of territorial coverage, as district, regional, and interregional. The district organizations are those serving a group of associations in a well-defined area less than State-wide. The regional wholesales are those operating throughout one or more States.

⁶ Quoted, with permission, from "Consumers Cooperatives," 1939, U. S. Dept. Labor, Bureau of Labor Statistics, Serial No. R. 1158, *Monthly Labor Review*, October, 1940.

The interregional associations are federations of regional wholesales for the pooling of their purchasing power.

At the end of 1939 the 13 district wholesales were serving 160 retail members, and over 2,100 retail associations were members of the 22 reporting regional wholesales handling consumer goods. The two interregional associations had in membership 14 and 7 regional associations, respectively.

A combined business of nearly 52½ million dollars was shown by the reporting regional wholesales, which was an increase of slightly over 5 percent (for identical associations) as compared with the preceding year. These associations realized a net gain on their operations amounting to about \$1,200,000, or 42 percent above 1938. The district wholesales had sales amounting to \$1,751,273 (16.3 percent over 1938) and net earnings of \$102,272 (18.6 percent over 1938). The business of the two interregional organizations aggregated more than 2½ million dollars in 1939.

Out of their net earnings the regional wholesales returned to their member associations, on their business with the wholesales, over \$750,000. Including the patronage refunds made by the interregional and district organizations, altogether the retail associations which were members of wholesale federations benefited, on this one year's business, to the amount of nearly a million dollars.

In order to make further savings for their members and in some cases to overcome difficulties in obtaining supplies from private sources, some of the wholesales have undertaken certain productive or processing operations. One organization operates a bakery and coffee-roasting plant, another makes butter, slaughters animals for meat, and makes sausage. Several of the wholesalers blend their own lubricating oil, and make grease, and several make commercial fertilizer, mix feeds, and operate seed cleaning and grading plants. The year 1939 witnessed a considerable expansion in these activities. One complete cooperative oil refinery, with pipe lines, was completed in 1939 and the construction of another was started. All of the above developments are discussed in greater detail in the following pages.

Compilation of data on operations of regional wholesales handling consumer goods shows a remarkable expansion from 1929 to 1939. In 1939 the amount of business done was more than 7

times as great as in 1929, net earnings were more than 10 times as great, and patronage refunds more than 12 times as great.

Notwithstanding the depression, the volume of cooperative wholesale business rose without a break through 1937. In 1938 a slight decrease occurred, but 1939 sales more than overcame that decline. Net earnings and patronage refunds showed a slight dip in 1933 but in the succeeding year that set-back was more than overcome and each succeeding year showed a higher level than before.

In the 11-year period, wholesales handling consumer goods did a business of nearly \$300,000,000 and returned to their members on their patronage almost 5½ million dollars.

... TREND OF CONSUMERS' COOPERATIVE WHOLESALING,
1929 TO 1939

Since 1929 the Bureau of Labor Statistics has been gathering data annually on the operations of cooperative wholesale associations handling consumer goods. On the basis of these figures, table 10 and the accompanying chart have been made, which show in graphic fashion the trend during the period 1929 to 1939. During this period, the number of wholesales handling consumer goods has nearly tripled, rising from 8 to 23. This does not mean that 15 new cooperative wholesales were established during the interval. Only 8 of the associations in operation at the end of 1939 were new associations; the others had entered the Bureau's tabulations at different times during the period, as they began to handle consumer goods. In 1929 fewer than 400 retail associations were members of consumers' cooperative wholesales; nearly 6 times as many were members in 1939. Sales were more than 7 times as great in 1939 as in 1929, net earnings more than 10 times as great, and patronage refunds more than 12 times as great.

PRESENT STATUS⁷

By WALLACE J. CAMPBELL

(Asst. Secretary, The Cooperative League, U. S. A.)

Cooperative history of 1939 must be written with a reservation. Only in a little longer perspective will the record be completed,

⁷ Quoted, with permission, from the *Peoples Year Book*, 1940, pages 194-8. C. W. S., Manchester, and S. C. W. S., Glasgow, 1940.

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for the economic life of the United States is extremely sensitive to the repercussions of war in Europe.

STRIKING ADVANCE IN COOPERATIVE TRADE

Statistics already available indicated, even so early as the end of September, a swing-over to the cooperatives, attributable to the public fears of profiteering. Central Cooperative Wholesale, with its headquarters at Superior, Wisconsin, and serving 140 cooperative societies in Minnesota, Wisconsin, and Northern Michigan, announced the biggest business for any one month in its 20-year history. September trade shot up to 430,000 dollars, a 40% increase over September, 1938. Another important wholesale, Eastern Cooperative, serving 200 societies along the Eastern seaboard, showed an even greater percentage increase: 110,000 dollars' worth of sales in September, a 101% advance on the September, 1938, figures. As significant comparison it may be noted that E.C.W.'s business increase over the first nine months of 1939 was 46% ahead of the January-September period of 1938.

EXTENDING THE GROCERY BUSINESS

War reactions apart, an outstanding feature of the year's operations was the rapid rise of consumer cooperation in the grocery business. This is of great importance in the development of American cooperation, for it signifies a strengthening and expansion of the city cooperatives and at the same time indicates the growing tendency of the rural cooperatives to take over the distribution of groceries as well as the farm supplies which have for long been rural cooperation's strong and dominant line.

WHOLESALE-RETAIL GROCERY CHAIN

In the van of this development was Midland Cooperative Wholesale, of Minneapolis, with a unique enterprise. Between June and September it opened, in collaboration with its retail-society members, 18 grocery stores run on the central-management, chain-store principle, and is already giving clear indication of success. This, the first of the wholesale-retail cooperative grocery chains, was the outcome of two years' planning and educational propaganda.

In this connection, note might be taken of passages in the fifth report on Consumers' Cooperation in the United States, issued

earlier in the year by the U. S. Bureau of Labor Statistics of the Department of Labor. Its findings were based on operations for 1936, but in general it found "a sounder development than at any time since the Bureau started to follow the movement in 1918," and that "the business practices of local associations have undergone a noteworthy change for the better." Field studies led to the following view:

The independent, isolated cooperative associations were in general far below the level of the federated associations in business efficiency, size, volume, financial stability, and operating results . . . Amongst the increasingly large number of associations which have realised the advantages of federation and have utilised to the full the wholesaling, auditing, and other facilities available, failures are becoming fewer and fewer.

A STANDARD COOPERATIVE LABEL

How the federal impulse is working from top to bottom is further instanced by the cooperation of the five cooperative grocery wholesales: the three already mentioned, with Consumers' Cooperative Association of North Kansas City, and the Chicago Cooperative Wholesale. These five bodies have worked in collaboration through the grocery committee of National Cooperatives Inc., the national business federation of consumer cooperatives, to establish a uniform cooperative label, a national purchasing programme, and grade and informative labelling. An effect of this joint programme is that 500 retail cooperatives carry goods which bear a standard cooperative label, and are packed to standard specifications set forth by the national committee. In this connection the movement has been a pioneer in implementing the Government's grading scheme, under which traders were asked to label canned and bottled goods according to the Government's A.B.C. grade specifications (broadly speaking, the United States equivalent of the British National Mark).

FIRST OIL REFINERY

Cooperative business in petroleum products reached a high record of 110,000,000 dollars in 1937. That figure will probably be exceeded. In this field the cooperatives are seeking increased efficiency by extending from wholesaling and retailing to refining. At Phillipsburg, Kansas, the first cooperative oil refinery in the United States was expected to be dedicated in early December.

It is the 700,000 dollar project of the Consumers' Cooperative Association of North Kansas City. Served by a 70-mile pipe-line, this modern refinery will process 3,000 barrels of petroleum products daily, but even so will supply no more than a third of the $4\frac{1}{2}$ million dollars' worth of such business handled by its 458 affiliated retail associations.

Meanwhile, just over the Canadian border, at Regina, Consumers' Cooperative Refineries has signed a quarter million dollar contract for a refinery planned to be completed in June, 1940.

FARM SUPPLIES

Continuing to be the biggest line of cooperative business, farm supplies, business in which almost tripled in the decade 1927-37, soared up to a total of 440,000,000 dollars in 1938. In that year the big cooperative organisations had already made a successful attack on the commercial fertiliser monopoly. Late in 1938, the cooperative "self-supply" position was further consolidated with the joint purchase by the Ohio Farm Bureau Cooperatives and the Cooperative Grange League Federation, Ithaca, New York, of a 100,000-ton commercial fertiliser factory in Baltimore. Further progress towards cooperative independence in 1939 was the launching of plans for the construction of two additional plants by the Indiana and Ohio Farm Bureau Cooperatives. These plants, at Indianapolis and Cincinnati, are scheduled for completion during 1940.

Approximately 600,000,000 dollars is the estimated extent of consumer cooperative business in the United States. This comprises both household and vocational goods, covering a many-sided business from groceries to housing societies, farm supplies to telephone associations, and medical services to eating places.

Among the more striking advances are those in the field of cooperative distribution of electric power in rural areas, sponsored by the Rural Electrification Administration. This line of business demands organisation covering extremely large tracts of country and serving widely scattered memberships. The federal electrification programme was launched in 1935. Since then 220,000 miles of line have been laid to service farm families in 600 cooperative societies scattered over 44 of the 48 states.

THE COOPERATIVE MEMBERSHIP

A conservative estimate puts the membership of cooperatives providing goods and services in the United States at 2,000,000. To this figure may be added approximately 2,000,000 more members of cooperative credit concerns, operating through their own Credit Union National Association whose headquarters are in Madison, Wisconsin. Another 2½ million are members of cooperative marketing associations handling a cooperative marketing business which in 1938 reached an estimated value of 1,960,000,000 dollars. Of these, many are also members of the National Cooperative Council whose offices are in Washington, D.C.

PROGRESS IN NATIONAL ORGANISATION

Marked progress towards national organisation and coordination of activities was made during the past year. Outstanding development was the action of the Cooperative League of the U.S.A., the national educational federation of the consumer cooperatives, and the National Cooperatives Inc., the national purchasing federation. In January these two organisations opened joint executive offices in Chicago. A majority of the directors sit on both boards and by meeting at concurrent sessions are able to take steps to coordinate the specific activities of the two federations. National Cooperatives assisted the League in the opening of an information and legislative Office in Washington, D.C. This does not supersede the League's original office in New York City, which is still being carried on.

Appended to its note on the successful trend towards federated in place of isolated associations, the Bureau of Labor Statistics Report, referred to earlier in this review, had the following comment:

To-day, more associations are formed only after extended educational work than formerly was the case. Reliance on practical facts has to a large extent supplanted the unthinking enthusiasm and exaggerated claims that characterised the early period.

The year just ended saw further important advances along this line.

STUDY CLUBS AND "NEIGHBOURHOOD NIGHTS"

With the member, cooperative education received its greatest stimulus from the introduction of the study circle or discussion club technique borrowed from the movements in Sweden and Nova Scotia. Personal participation is the key principle of this method and the decisive factor in its success. The clubs consist of small groups meeting weekly or fortnightly in the home of one or the other, and personally discussing general or specific problems arising from their own plans of campaign or schemes of development.

In the State of Ohio alone, 600 such clubs, under the name "advisory councils" are organised, and 400 more are to be running by the Spring of 1940. Working on the study club basis, Midland Cooperative Wholesale assisted its member associations to inaugurate more than a hundred "neighbourhood nights." The Winter programme of Central Cooperative Wholesale includes the opening of 850 study clubs and the educational staff has been increased to further the programme. Similar plans are in operation by Consumers Cooperative Association and Eastern Cooperative Wholesale. In California, "fireside forum" is the chosen description of the study circle, a large number of which are already organised. Behind this "personal study" movement is the growing weight of an informative cooperative press. Newspapers and magazines published by thirteen regional associations, total a circulation of some 600,000 copies, keeping the local member posted in general news and developments in the movements.

MEETING DEMAND FOR TRAINED PERSONNEL

For the employee, the educational organisation is taking shape in response to the demand for trained personnel. Both national and regional institutions are providing vocational courses for employees and prospective employees. Nationally, Rochdale Institute, in the third year of its existence, began its fifth semester under the direction of Dr. James P. Warbasse, President of the Cooperative League. One of the courses offered is a specialised course in Cooperative Business and Grocery Store Management. It consists of three months' academic training, followed by two months' "field," or practical work at cooperative grocery stores in various parts of the country. The Grocery Store Management

course is jointly sponsored by Consumer Distribution Corporation and Eastern Cooperative Wholesale.

Many of the newly-organised grocery stores, particularly in the Eastern part of the United States, are calling for trained management personnel, and to meet this demand the two organisations named have set up a Council for Cooperative Business Training to provide the technical courses required. For the Rochdale Institute's course in Grocery Store Management, E.C.W. supplies the technical staff and the model demonstration store.

Meanwhile, it is to be noted that cooperation as a social and business system already enjoys the cognisance of the State in national educational curricula. During the year, courses on the co-operative movement have been added to the lists in several American Colleges. In the States of Minnesota, Wisconsin, and North Dakota, cooperative courses are given in public schools as well as colleges.

Press, platform, and radio add their advocacy of the cooperative cause. One quotation may suffice. Broadcasting on counters to dictatorship in the present stage of social evolution, the Rev. James Myers, Industrial Secretary of the Federal Council of Churches, had this passage:

Consumers' cooperation offers an important answer to what is perhaps the major economic problem in America to-day—how, at the same time, to raise wages and lower prices in order to create a sufficient volume of purchasing power to balance production and consumption, keep our factories and farms running at full capacity and abolish unemployment.

Consumers' cooperation does offer, it seems to me, one of the major techniques for non-violent, gradual, but sure progress in a democracy. It combines in marked degree what a troubled world has been waiting for—a system in which sound economics coincide with the fundamental ethics of religion and the essential principles of democracy.

ORGANIZED RELIGION AND THE CONSUMERS'
COOPERATIVESRELIGIOUS IMPLICATIONS OF CONSUMERS' COOPERATION¹

A GROUP of church people recently visited the cooperative store at Maynard, Massachusetts. Some of them had heard Dr. Toyohiko Kagawa, one of the world's great Christians, declare that "consumers' cooperation is the love principle of Christianity in economic action." They did not quite understand what he meant. So they went to see a cooperative in action and asked the manager what it was all about. He described the basic principles of cooperation, which we shall discuss later in this chapter, and showed them the grocery, meat, bakery and other departments.

The visitors became particularly interested in his report of the previous year's achievements in the dairy department which bought milk, butter, eggs, cheese from nearby farmers and sold them to the members of the cooperative who lived in the city. Each of these city cooperators had obtained his dairy products at regular market prices but had received a return or "patronage dividend" at the end of the year of 10 per cent on his total purchases. At the same time the farmers from whom the dairy products were purchased had received 29 per cent more than they would have obtained if they had sold their products through private dealers. And the quality of these dairy products was so high that, strange as it may seem, charges of unfair competition were made against the cooperative. When the cooperative was asked why it sold so much better quality goods at the same market price (and later even returned a patronage dividend to the consumers), the reply was, "That is what we're in business for."

¹ Quoted, with permission, from *In Business for Service*, by Rev. James Myers, Industrial Secretary, Federal Council of Churches of Christ in America, and Executive Secretary of the Committee of the Churches and Cooperatives, New York City, undated, pages 2-8.

The basic purpose of a cooperative is service. Jesus said, "I came to minister, not to be ministered unto." What is this strange economic system of consumers' cooperation which in its very system of doing business hews so close to the line of the Christian ideal of service?

Consumers' cooperation is founded on the fact that amidst all the other clashing economic interests of human society, there is one unifying principle—a common economic bond which is as broad as humanity itself. Whatever other economic interests tend to divide us into classes or nations—*we are all consumers*. Therefore, in the endeavor to build an economic system which will be of widest service to society, consumers' cooperation has selected as its foundation the needs of consumers.

Consumers' cooperation was born ninety-four years ago in the little town of Rochdale, England, when twenty-eight working men and women started the first cooperative store. It has grown from that humble beginning until today there are over one hundred million members of cooperatives in forty countries of the world including the United States.

Cooperative enterprises include both distribution and manufacture, to a varying extent, in different countries. They cover a wide range of commodities and services, such as groceries, farm supplies, feed, seed and fertilizer, clothing, furniture, foods, transportation, coal, lumber, gas, oil, automobile tires, housing, rural electrification, credit unions and banks, bakeries, milk distribution, medical service, and insurance.

. . . The basic principles or techniques of true consumers' cooperation have come to be known as the "Rochdale Principles" which have now been tried out for nearly one hundred years and found to be sound and practicable. We shall describe these four major principles and the other supplementary principles of the movement. As we proceed it will be interesting to observe how mere economic rules can embody and express ethical values of special interest to Christian people. . . .

ECONOMIC AND SOCIAL RESULTS OF COOPERATION

One of the most significant and hopeful aspects of consumers' cooperation lies in its practical contribution toward economic and world peace. Cooperation offers an important answer, for instance, to what is perhaps the major economic problem of America and other countries today—a problem which is causing grave concern

to industrialists and governments alike. That problem is how, *at the same time, to raise wages and lower prices* in order to create a sufficient volume of purchasing power to balance production and consumption, keep our factories and farms running at capacity and abolish unemployment.

Last year I met with a group of young people in a church in one of our western cities. They had been investigating a strike of laundry workers. They felt that the strikers were justified in demanding an increase in wages on which they could not live decently. But they were honestly at a loss to see how wages could be raised without also increasing prices which were already high. I advised them to study the cooperative movement. For there is impressive evidence that consumers' cooperation in countries like Sweden, Finland, and others, where it is most highly developed, is actually helping to solve this apparently impossible economic conundrum. By means of keeping wage levels high, while at the same time reducing the cost of living, consumers' cooperation has contributed in a remarkable way to the amazing achievement of these countries which have *now practically abolished unemployment*. What a contrast to our own country where ten million men and women can find no work! What a contrast is the lot of Scandinavian young people to the plight of Youth in America who look forward almost with despair to the ordeal of trying to find a job! Consumers' cooperation is a major hope of Youth.

I do not wish to imply that consumers' cooperation is a complete social and economic panacea which unaided can solve all the ills of the world. The present chapter does not permit space to discuss other important factors such as social insurance, taxation, public ownership of utilities, and the part to be played by organized labor, organized farmers and organized employers.

But consumers' cooperation does offer, it seems to me, one of the major techniques for non-violent, democratic social change toward a more cooperative human life. It combines in marked degree what a troubled world has been waiting for—a system in which sound economics coincide with the fundamental ethics of religion.

It must be emphasized that the *means* by which the cooperative movement seeks to achieve economic and world peace are as important as these objectives themselves. The reliance upon coercion and force by dictatorships both of the right and of the left will in the end defeat their own purposes. Consumers' cooperation, on the

other hand, is voluntary. It is not imposed from the top down by autocracy, either political or industrial. It is built in democratic fashion by the people themselves from the ground up.

. . . It is partly because of the foregoing reasons that many Christians find that they can breathe more freely in the atmosphere of consumers' cooperation than in that of competitive business conducted for private profit. Cooperation appeals to Christian idealists because it is organized primarily for service, because it tends to develop character, and because it is a non-violent method of social progress. It is also a form of social action in which *everyone* can take a part. Middle class and professional people, as well as labor and farmers, find in cooperation something they can really *do*, rather than confining their interest in social problems to theoretical discussion. In a cooperative one can vote for economic democracy every day, with every dollar one spends.

In addition it may be said that it is mighty good for religious as well as other idealists to find themselves faced with the hard facts involved in actually conducting a successful business enterprise. It is one thing to "talk" about a better economic order; it is quite another to balance the books and "keep out of the red." It constitutes a needed practical discipline, and helps to build the kind of idealists who will really be of help in transforming this work-a-day world into something more like the Kingdom of God on Earth.

PERSONAL RELIGION STILL NEEDED

While study and experience in cooperation confirm the existence of special ethical values in the movement, it is also clear that no economic system by itself can automatically remove all the causes of human conflict. There remain in the human heart tendencies to selfishness, pride, intolerance, which only religion can eradicate. Even when an economic structure eliminates the opportunity for private profit, it will be found that there may still remain the *prestige* motive and the *power* motive on the part of individuals and groups who may strive primarily for honor or position for themselves. This is true in any group, whether it be a church, a labor union, a cooperative, or a "socialized society." Only the grace of God can help each one of us to develop a truly *cooperative spirit*—the humility, tolerance and self-discipline which alone will enable any group to work together in harmony. The specifications of character described by Jesus in the Sermon on the Mount will remain basic for the success of a cooperative society.

ECONOMIC MANIFESTO BY RELIGIOUS LEADERS²

Clergymen prominent in the Protestant, Catholic and Jewish faiths joined on May 23 in issuing a plea for "Democracy and Economic Planning." The list of more than 100 signers included among the Protestants Rev. Edgar DeWitt Jones, Bishop Francis J. McConnell, Rev. James Myers, Rev. Robert W. Searle and Rev. Ralph W. Sockman; among the Catholics, the Rt. Rev. Thomas J. O'Dwyer, Msgr. John A. Ryan, Dean Charles C. Miltner, Msgr. Francis J. Haas and Rev. R. A. McGowan; and among the Jews, Rabbi J. X. Cohen, Rabbi Sidney E. Goldstein, Rabbi Edward L. Israel, Rabbi Morris S. Lazaron and Rabbi Hyman J. Schachtel. The statement reads:

The depression has held America in its grip for nine years. Millions are still jobless. There is no sign of putting any considerable proportion of them back to work or of assuring either them or many of those now at work income sufficient to enable them to live as human beings and Americans should live. Our unmatched ability to produce goods and services is still thwarted. An intelligent and ambitious people eager for progress are still blocked. The effort since 1933 to abolish unemployment and restore full business activity, although unequalled in the history of our country, has not yet met the needs.

In similar circumstance other countries have already succumbed to complete governmental domination. In our country desperation has fortunately not yet reached the stage of a widespread demand for such dictatorship. However, until economic life is stabilized on high levels of production and just distribution, and until unemployment is abolished, there will remain constant danger of trends toward the totalitarianism of a Communistic or Nazi-Fascist state with all their cruel violation of basic rights and liberties.

In terms of economic life our tragedy is due to failure to distribute the income of our production widely enough to enable us to end poverty in the United States, return the people to work, and thus create the demand for even larger production by our farms and factories. Too much money has gone to the few. Too little has gone to the many. Too much has gone to interest and dividends. Too little has gone to the many in return for work. Some industries have gained unfairly at the expense of other industries. Prices for various goods and services which need to stand in a proportion to one another that will ensure full output, steady employment and a good living for everybody, are utterly out of balance.

² Quoted, with permission, from *Information Service*, of the Department of Research and Education, Federal Council of Churches of Christ in America, New York, N. Y., Vol. XVIII, No. 22, June 3, 1939, pages 2-3.

Such a situation would frustrate at any time the true purpose of work and of ownership. Now the result is tragedy. The ability to produce goods and services is so great that unless the masses of the people have a way to get the goods and services, the producing system, physical, mechanical and human, collapses. It collapsed in 1929. It has not yet been revived.

MORAL AND RELIGIOUS PROBLEMS INVOLVED

In terms of morals and religion, from which we draw right principles of action and the sanctions of life, the cause of our tragedy is a refusal to govern our lives in accordance with the old truth that we are all persons possessed of immeasurable dignity struggling through life together as brothers under the one God, towards the one goal. Work and ownership should exist for the good of each and the good of all. Some way we must make them fulfill that purpose. "Be thou thy brother's keeper" and "Love thy neighbor as thyself" apply to work and ownership as they do to all of life.

Owners and workers in the industries, in farming and in the professions, have the obligation, as producers of goods and services, to advance both the welfare of their brothers who perform a like work with them, and the welfare of the public whom they serve. Incomes can and must be such that everyone may live well. Incomes must be balanced from group to group, from industry to industry, from profession to profession. Prices must be such as to let the people of every industry and profession get work and live well. To the same end every price must be balanced with every other price. A proper balance in buying power must be made to exist between workers and employers, between one industry and every other industry, between one profession and every other profession. Only by living incomes and balanced incomes and by living prices and balanced prices for all can we end unemployment, use our resources fully and advance in peace and progress.

DEMOCRATIC ORGANIZATION NEEDED

To achieve these ends the people of the industries, of farming and of the professions need to organize. They are better organized now than ever in our history. Moreover, in spite of selfishness and short-sightedness and mixed motives, there appears to be more willingness on the part of industries and professions to cooperate for the common good. A new spirit is coming over employers' associations. The labor movement, on its part, is exercising more responsibility for the efficient operation of industry than is generally known, and is aiming at cooperation with the owners for the purpose of guiding incomes and prices in a new and better way.

Because organization has so grown and because the spirit has changed,

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even though incompletely, it seems that there would now be response to governmental leadership to expand production and employment, and guide incomes and prices for the common good. Governmental leadership is needed. But this growth of organization and this change of spirit are necessary prerequisites for the governmental action required. Otherwise the needed guidance of economic life would be undertaken by the government alone with the consequences at least of a hazardous centralization of power and bureaucracy and, at worst, economic, social and cultural dictatorship.

GOVERNMENT SHOULD LEAD BUT NOT DICTATE

Yet governmental leadership and assistance remain necessary. Otherwise a general balance among all industries and groups seems wholly impossible. The easily possible expansion of production and employment awaits some concerted and joint action. Only the coordinating and impartial power of government is competent to provide the leadership.

Yet, again, in order to avoid too much governmental power, the organizations of the various industries, their free labor unions included, and farming and the professions should federate. Their federation with governmental help can expand output and achieve a proper balance of incomes and of prices. We need to direct economic life but the direction should be undertaken first of all and to the very limits of the possibilities by the people, democratically organized around their own work and ownership. The greatest burden and control should rest on the people freely organized as now, in employers' associations and labor unions, in farmers' marketing cooperatives and in associations of the professions, and upon them so federated by industry councils that they can see their own occupation squarely in the whole picture of economic life.

Governmental leadership can go far to lead them when they are thus organized and federated, to set and attain goals of widening output and larger employment, and distribute the income, and balance the prices so as to let the people use the increasing goods and services which we produce and can produce. We can do this under democracy.

CONSUMERS' COOPERATION

In the democratic organization of our production and distribution, consumers' cooperatives can and should exercise an increasing place. Other organized industries and organized farmers may, indeed, when federated, check the selfish over-reaching of any group. So too may the government. However, the costs of getting goods from producer to consumer are so huge, the ultimate consumer can be so easily lost sight of, and the government might so lend its power to dominant industries or classes, that the consumers themselves should organize in cooperatives. They should also be directly represented in some effective fashion in

the governmental leadership and assistance that would be provided for the organized and federated occupational groups. The Consumers' Counsel Divisions established in the administration of the bituminous coal industry, and in the AAA offer certain examples of how to represent consumers' interests in governmental activities.

The situation is so serious that we ask the government to provide the leadership soon. Prudence probably dictates action in the more elementary industries first, and on the inter-state level only.

AVOID MISTAKES OF NRA

But the fundamental mistake of the NRA should never be repeated. The NRA did not provide for inter-industry cooperation. It did not give effective representation to consumers. It left employes and their unions almost entirely out, except for the right to speak and the right of outside organization. It thus left out those in industry itself whose immediate interests are fair incomes while they work, and the balanced incomes and prices which will let them stay at work. Their absence in any guidance of industry destroys all efficacy and sets up either a ruinous system of private monopolies avid for profits, or a ruinous governmental dictatorship.

In this situation, the only answer to which is the application of intelligence to economic process, a chief disturbing factor is the function of government. It is impossible to preserve our essential democratic political life without some form of economic democracy; but from the experiences of other countries, we fear that a tendency towards governmental control of economic life will produce totalitarianism here.

In the face of this dilemma, we are encouraged to recommend this democratic procedure we have suggested not only because it appears to be the sole hope of preserving our democracy, but because its limits are so circumscribed as to make government only a party to the enterprise and not the dominant controlling element.

A wisely conceived guidance of economic life need not mean a dictatorial state. Neglect to guide and direct the economic system will mean totalitarianism by default.

DEMOCRATIC CONTROL

We therefore urge such safeguards to the organized guidance of economic life in America as will tend to limit to government the role of participant rather than dictator. We furthermore urge a constant recognition of the fact that the direction of industry must provide that labor as such, and consumers as such, as well as employers be organized as constituent, self-conscious elements of any and all plans. In other words, we suggest democratic action from the bottom up as well as from the top down.

Upon schools, universities, press and church there rests a supreme

responsibility to educate. A world in economic chaos must begin to apply intelligence and good will to economic problems so as to bring about unity for the common good. America must act through democracy, and democracy can act only through individual awareness, intelligence and good will.

CONSUMERS' COOPERATIVES³

FOREWORD

. . . Consumers' cooperation is advocated in Pius XI's Encyclical, "Reconstructing the Social Order," only by implication; but it has been a constituent part of the program of Catholic Social Action for a generation.

As the main lines of social change, the Encyclical advocates the growth, with governmental help, of employers' associations and labor unions, and of other organizations in agriculture, trade and the professions, into a guild order. In a guild, people organize around their work. They do so to direct economic life cooperatively for their own and the general welfare, with the help of government.

The consumers' cooperative movement, on the other hand, advocates organization around the consuming of goods. Consumers' organizations stand in a second line of importance. However, they are of great value now and permanently, both to prevent profiteering and to train people in cooperative endeavor.

SOCIAL ACTION DEPARTMENT

NATIONAL CATHOLIC WELFARE CONFERENCE

One of the most serious evils in our economic system today is excessive profit-taking. One of the most effective means of combating this evil is to be found in the organization of consumers' cooperatives. Because of their indubitable power for remedying this evil, and because of other unquestioned values which flow from them, these cooperatives are deserving of most careful study and attention.

It should not be surprising to find authoritative pronouncements of Catholic churchmen on so useful and practical a remedy for our economic and social ills. Perhaps the most general and

³ Quoted, with permission, from *Consumers' Cooperatives*, by Rev. Edgar Schmiedeler, O.S.B., Ph.D., Director, Rural Life Bureau, National Catholic Welfare Conference, Social Action Series 5, The Paulist Press, New York, 1937, pages 1-8.

all-embracing among such pronouncements is the following, taken from The Bishops' Program of Social Reconstruction (1919):

"More important and more effective than any government regulation of prices would be the establishment of cooperative stores. The enormous toll taken from industry by the various classes of middlemen is now fully realized. The astonishing difference between the price received by the producer and that paid by the consumer has become a scandal of our industrial system. The obvious and direct means of reducing this discrepancy and abolishing unnecessary middlemen is the operation of retail and wholesale mercantile concerns under the ownership and management of the consumers. This is no Utopian scheme. It has been successfully carried out in England and Scotland through the Rochdale system. Very few serious efforts of this kind have been made in this country because our people have not felt the need of these cooperative enterprises as keenly as the European working classes, and because we have been too impatient and too individualistic to make the necessary sacrifices and to be content with moderate benefits and gradual progress. Nevertheless, our superior energy, initiative and commercial capacity will enable us, once we set about the task earnestly, even to surpass what has been done in England and Scotland.

"In addition to reducing the cost of living, the cooperative stores would train our working people and consumers generally in habits of saving, in careful expenditure, in business methods, and in the capacity for cooperation. When the working classes have learned to make the sacrifices and to exercise the patience required by the ownership and operation of cooperative stores, they will be equipped to undertake a great variety of tasks and projects which benefit the community immediately and all its constituent members ultimately. They will then realize the folly of excessive selfishness and senseless individualism. Until they have acquired this knowledge, training and capacity, desirable extensions of governmental action in industry will not be attended by a normal amount of success. No machinery of government can operate automatically, and no official and bureaucratic administration of such machinery can ever be a substitute for intelligent interest and cooperation by the individuals of the community."

It would be a simple matter to add other statements favorable to cooperatives from a veritable array of Catholic authorities. A few more will be given toward the end of this booklet. For the

present we will turn our attention instead to considerations such as the meaning and classification of cooperatives, and extent of their growth, the principles underlying them, and their peculiar economic and social values.

MEANING AND CLASSIFICATION OF COOPERATIVES

It is not an altogether simple matter to define a cooperative. To be sure, it is easy to say that "to cooperate means to work together." But such a definition is too simple. It does not really show the distinctive features of what has come to be known today as cooperative enterprise.

Stating that, technically cooperation has been defined as "that joint economic action which seeks to obtain for a relatively weak group, all or part of the profit and interest which in the ordinary capitalist enterprise are taken by a small and different group," Rev. F. Basenach, S.J., Loyola College, Madras, British India, goes on to say that characteristic of the cooperative system is the issue of profits. "In the cooperative form of organization," he says, "the profits go to the members, either under their aspect of co-operative producers who have pooled their individual capital and labor, or without regard to the capital invested, it goes to the members according to the products they have used. The first form is known as Producers' Cooperation; the second, as Consumers' Cooperation." And he adds, referring to the consumer, that "the aims of cooperation are undeniably revolutionary in this sense that they tend to undermine the foundations of the present capitalistic system. The object is to restore all the profits, which capital has long regarded as its due, to the consumers; hence the first promise of cooperation is to reduce the burden placed on the consumer by capital."

In the June, 1936, issue of *The Catholic World* we gave the following generic definition of cooperation: "A cooperative society or organization is a group of people who band themselves together to produce something, to sell something, to buy something for themselves, or to pool their financial resources for credit or loan purposes."

When a group of individuals band themselves together to produce something we have what is known as a producers' cooperative. In this country there are but very few of these cooperatives. When a group bands together for the purpose of selling something, the result is a marketing cooperative. This type of coop is rela-

tively common among American farmers. When a group of individuals unite to pool their resources for loan purposes, the result is a credit cooperative. Finally, if a number of people unite for buying or purchasing purposes, we have what is known as a consumers' cooperative. It is this type that we are chiefly interested in here.

. . . Underlying all these consumer cooperative endeavors are certain very definite principles that must be followed if the enterprises are to be genuine, if they are to prove thoroughly sound and successful. The principles are, in general, those that have become known as the Rochdale principles, that is, those followed by the group of cooperative pioneers at Rochdale, England. . . . There are both economic and social values in cooperation. As the writer has stated elsewhere (*The Catholic World*, June, 1936), he is convinced that cooperation gives not a little promise of eliminating the more glaring abuses, such as waste and the gouging of the consumer, that characterize our present system. More particularly will this be true as cooperation moves from the consumers' field back into production. Prices will then tend more and more to be in harmony with actual cost rather than with monopoly manipulation, watered stock, or eagerness for pyramided profits. The cooperative owners or members have every reason to see to it that their business is run efficiently, for each has a stake in it. At the same time they have no reason to bid up prices, for they are both buyers and sellers. Hence, in a cooperative society one would hardly expect to find such a thing as middlemen taking 300 per cent on the retail sales of milk products as is done, for instance, in New York. There would be little point to such procedure in a cooperative society.

. . . Sometimes the savings made by cooperatives are obscured by the fact that competitive dealers reduce their prices. It is no secret that there is need for much such reduction of prices in this country. It is a bit strange, for instance, that in London, a city far removed from its wheat supply, the price of bread should be lower than in Omaha, located in the immediate neighborhood of our immense wheat fields.

Referring to the social values of cooperatives, a report of St. Francis Xavier University, a Catholic institution in Nova Scotia which has done outstanding work in fostering coops, has the following to say, among other things: "One of the chief values of the cooperative movement lies in the opportunity it gives the average

citizen to function as a conscious agent in shaping his economic life and welfare. He works with others for a common end and mutual good. Day by day he learns that by cooperating with others he serves himself best. He respects leadership because he sees how it must develop. He acquires stature as a citizen in political and economic relations with his fellow man."

To be given some voice in the direction of affairs is good for the individual. He acquires an added value, a healthy importance, one might say, in his own eyes. He develops a sense of responsibility, of self-respect and of self-reliance, that should prove beneficial both to himself and to society. Cooperation gives to the individual such a voice in affairs. It takes from those who have been economically underprivileged their feeling of helplessness and brings to them a realization that something can be done about it.

Cooperation also inculcates a spirit of self-sacrifice and teamwork. It begets a spirit of neighborly helpfulness, for it is organized on the basis of mutual aid. It offers excellent opportunities for the fulfillment of the commandment, "Bear ye one another's burdens and so shall ye fulfill the law of Christ." It provides an environment that encourages the control of such socially harmful tendencies of man as greed, avarice, pride, gluttony, and selfishness.

Before concluding, a caution or two may be in place. There is, first of all, the consideration that a cooperative system will not automatically and inevitably lead to good results. Vigilance is necessary. The unsocial tendencies of man must be effectively held in check. Continued effort is required if a cooperative program is to be kept in harmony with the laws of justice and charity.

A second point is this: Cooperation should not be presented merely as an economic program. The Most Rev. Edwin V. O'Hara gives the following two reasons for this: First, it would "raise extravagant expectations of material gains from this source"; second, it would "tend to becloud the vast social, cultural, and moral benefits of cooperation—benefits which would justify cooperation apart from more material gains."

Finally, the mistake must not be made of looking upon consumers' cooperatives as the one cure-all of our economic ills. To work for the extension of a cooperative society, for instance, but at the same time to neglect the development of strong labor organizations, would be no less than foolhardy.

With these cautions in mind, the Catholic may well give serious attention to the formation of consumers' cooperatives. Indeed, he

should do so. There is need for action. The abuses in our economic system clamor for correction. Consumers' cooperatives furnish one effective means for correcting them. We should not hesitate to make the most of them.

STATEMENTS BY CATHOLICS ON COOPERATION

Rt. Rev. Msgr. John A. Ryan, D.D., LL.D., in "Social Reconstruction":

"The cooperative idea can be applied to every part of the industrial field. There can be cooperative associations of farmers for the selling of their products, enabling them through the elimination of a great number of unnecessary middlemen to get a greater proportion of the price that is paid by the ultimate consumer. There can be cooperative associations of consumers in cities, to buy directly from these cooperative selling associations of the farmers. There can be cooperative associations of producers, and entire or partial ownership of the factory by the cooperative stores. There are scarcely any bounds that may be set to the field to be occupied by the cooperative idea; but it is an idea that will become operative very slowly. There are serious difficulties in the way; there is a great deal of individualism that has to be subordinated to the common good; there is need for a great deal of patience. But we know from the history of cooperation in Europe, especially in Great Britain, that the thing can be done, and can be done by ordinary people, because the men in England, Scotland and Wales who own the cooperative stores that have been a tremendous success are ordinary wage-earners. They have provided the capital and the directive ability necessary to carry on the retail stores, the wholesale stores, the factories and steamships, and tea plantations and wheat fields. What they have done can be done in other countries and in other departments of the industry" (page 179).

Rev. Joseph Husslein, S.J., in "The World Problem":

"The system of cooperative banking has struck deep root and will continue in its prosperous development. Everyone is familiar with the success of the Raiffeisen credit associations.

"Almost equally successful, in many places, have been the cooperative stores; it is estimated variously that between one-third and one-fourth of the entire population of Great Britain had already participated in these enterprises before the outbreak of the war. The total cooperative sales in that country for the year 1913 considerably exceeded \$600,000,000 and there were thousands of cooperative stores in Great Britain alone. The same system had likewise developed in Ireland (page 215).

"The cooperative bank and the cooperative store have met with undeniable success. They have long ago passed the period of trial and

experiment and fully answer the purpose for which they were established. The question of main importance is the extension of the cooperative principle to the field of production. Its most complex and difficult application is found in the cooperative ownership and management of industrial enterprises" (page 222).

Rev. R. A. McGowan, in "Property, Organization, Government Action":

"Every American farmer should be a member of as many cooperative marketing organizations, clubs and services as are necessary for him to market his varied crop at a fair price. This seems basic. A farmer cannot be both expert farmer and expert salesman. A still more cogent fact is that, expert salesman or not, a lone farmer bringing his produce to market meets a highly organized and strong commercial marketing ring. There is no equality between him and the buyers, the sale that results is an unequal contract, the farmer does not get equal value in money or goods for his crop, he is mulcted, bilked and cheated all the time. Cooperative marketing organization is a means of obtaining justice. The strength and knowledge of the united farmers can give them expert ability in marketing and can bring them closer to equality with the buyers.

"Every farmer should belong to a credit union in his parish or neighborhood, for much the same reason that he should belong to a marketing cooperative. The farmer needs cheap and sure credit. Alone he has neither the strength nor the knowledge to get it from the commercial organizations. United with other farmers he can, by united savings and united control, give to himself the credit he needs. . . .

"In the circumstances of American life all cooperatives ought to be either on a national scale or, when regional or local, they ought to be closely federated. The goods and money markets are national markets and the organization must equal the market" (page 7).

Rev. M. M. Coady, Ph.D., in "A University Promotes Cooperation":

"We in Antigonish are putting forth every effort to have the people engage in group action in the four possible fields open to them.

"(a) The Consumers' Cooperative Society, or the so-called Cooperative Store, is gaining great ground. Already eighteen such societies are functioning in eastern Nova Scotia alone, and some of them are among the most successful on the North American Continent."

CHAPTER V

COOPERATION AND MEDICINE

ECONOMICS OF HEALTH PROTECTION¹

UNDER prevalent economic methods, medical service is subject to the same conditions as those which affect any other economic service or needed commodity. The supply of medical skill, medicine, hospital care, and nursing, is a part of the prevalent profit economy—an economy which requires scarcity for its success. Under this method, doctors also have to be kept scarce or their business fails and they are unable to make a living.

But the economy of scarcity, which is based upon the profit motive in business, is breaking down. It fails, in the presence of abundance, to deliver goods and services to the people who need them. As a result of this strain and of this want, and of the failure of business, the government steps in. It advises, helps, loans money, gives money, and finally goes into business and supplies the need. Banking, shipping, the railroads, and sooner or later other lines of business fail to function, to supply needs, and to make profits at the same time. Government finally takes them over.

Medical service also, as a result of its ineffectiveness as a business, is passing into the hands of the state. This is what happens if private and voluntary enterprise fails or is inadequate.

Medicine is too important to adapt itself to these practices of trade. Doctors might refuse to compromise with this policy of scarcity and take steps to lift themselves out of the category of tradesmen and show the public how both it and they might be advantaged by an abundance of medical service.

In the United States, thirty-eight per cent of the population get no medical treatment when they are incapacitated by disease. Still

¹ Quoted, with permission, from "Cooperative Medicine," by James Peter Warbasse, M.D., President, Cooperative League, U.S.A.; Fellow, American Medical Assoc., Amer. College Surgeons, New York Academy of Medicine, published by Cooperative League, New York, *Bulletin No. 361*, undated, pages 3-21.

the medical colleges are being urged to produce fewer doctors in conformity to the economy of scarcity. The real purpose of industry should be to supply consumers with things they need. And medicine, to attain its full social value, cannot have as its object the making of incomes. Medicine will not be on a social or scientific basis until its purpose is to prevent sickness and to heal disease in the interest of patients. Medicine is for the consumers. The profit and scarcity economy makes it a business; and as a business it is failing for the same reason that business in general that is based on scarcity is failing. The world now shows signs of moving toward another economic purpose which is based upon the supremacy of the consuming interest and the economy of abundance.

The prevalent question among a commercialized medical profession is: "How can doctors get more income?" The pressing social question is: "How can patients get more doctors?" The inquiry leads to the service motive in medicine instead of the profit motive. And it is an interesting fact that this service method of doing things is taking the place of the profit method in precisely those countries which have the highest standards of civilization, which suffer the least from "depressions," and which are the least threatened by such disturbing factors as communism and fascism. In the answer to this last question lies the possibility of better incomes for doctors as well as better doctors for patients.

The principle of the dominance of the consumer has quite as much to offer to medicine as to any other field. It is only natural that the people who need the services, who pay the bills, who suffer the pains, and who do the dying should control the business. The service motive in medicine means consumers' control. That this control is natural is evidenced by the fact that in the United States most of the hospitals, medical colleges, and laboratories of medical research are owned and controlled, not by the workers in these institutions, but by laymen. It is also an important fact that the element in society which is most concerned that doctors be well educated and efficient are the patients and prospective patients. And that efficiency is promoted by adequate rewards for medical service.

The trend of experience proves the need of consumers' control. When medical colleges in the United States were of a very low grade they were owned and administered by physicians. This is still the case with the lowest standard medical schools. The high grade medical colleges are owned, financed, and controlled by lay-

men. The same is true of hospitals. In our large cities, while there are some good hospitals owned by doctors, the dangerously disreputable hospitals are owned and controlled by physicians. The splendid hospitals which are the ornaments of our modern civilization, are owned, financed, and controlled by laymen. Workers' control of industry in a capitalist society, whether sewing shoes in a factory or wounds in a hospital, does not tend toward success. It does not move toward the solution of a social problem.

However, the improvements and the raising of the standards of medical schools and of hospitals, which have been brought about in the United States and are still in progress, are largely the work of the medical profession of this country.

Consumers' control of financing and of organization in no wise militates against medical control of medical affairs. This is naturally and obviously the case. Consumers and patients would defeat their own interest by interfering in professional affairs.

VARIOUS SOCIAL METHODS IN MEDICINE

In the practice of medicine, the prevalent profit system has produced certain advantages; but it no longer functions effectively. The doctor competing with his fellow physicians for medical business is passing from the scene. Medical knowledge has become so great that no individual can possess it all, and the specialist has become necessary. The family doctor is disappearing. The competitive system, among other things, is destroying him. As is the case in many other failing businesses, the government is taking over medicine. The private competitive doctor represents the individual craftsman plying his trade. He has lasted longer in medicine than in most other crafts. But the haphazard system which he represents is an expensive luxury which is costing the people much and leaving them with inadequate care.

The method which exemplifies profit business in its purely modern form is seen in the commercial "health societies" common in the United States. This is the truly American method of business. In this, the business man or company employs doctors at the lowest possible price and sells medical service at the highest possible price. The difference constitutes the profit—and the success of the business. It presents the same disadvantages as are inherent in other phases of the profit system, which is based upon buying at the lowest price and selling at the highest price, and which is reverently esteemed by patriotic Americans. Labor is underpaid

and most consumers who need things do not get what they need—the service falls short of what it might be.

Still, profit business organizations are supplying the public needs, with a considerable degree of efficiency, in the absence of methods of supply set up by the consumers themselves.

Some medical organizations, in which a physician or physicians are the middle-men owners, render excellent service and pay the employed doctors good salaries. They charge “subscribers” \$2.50 a month. So long as the owners are idealistic, all is well; but there is no way to guarantee the continuation of the idealism in the future owners of these enterprises. They are destined to go the way of most private profit business.

Another profit-system form of medical service is that in which business corporations employ physicians and maintain clinics and hospitals for their employees. The costs are usually met by voluntary contributions from the workers, by compulsory subtractions from wages, or by adding the cost to the price of the commodities produced by the business.

Another method might be called the syndicalistic method. Physicians unite to form companies for the sale of medical services. Many hospitals and clinics owned, financed, and controlled by these groups of doctors represent a high grade of medical service. Some, such as the Mayo Clinic, in Minnesota, are world famed for the superior quality of their scientific work. They present social as well as medical advantages, and are entitled to the high esteem which they enjoy.

Such clinics as Trinity Hospital in Little Rock, Arkansas; the Ross-Loos Medical Group in Los Angeles, California; and others furnish practically complete medical and hospital service for about \$24 per year for individuals and higher rates for family membership. These are private business and professional enterprises, and give better medical service to patients and better pay to doctors than are to be had in the average of individualistic competitive practice.

The medical service bureaus set up by county medical societies represent another form of doctor controlled practice. These methods place the price control in the hands of the medical workers. The people who buy the service have no voice in the matter of fees. The method when fully carried out leads to monopoly. The deficiency of this system is the absence of consumers' voice in control, method, and financial policy. It represents workers' controlled

industry. But it is better than no organization for joint action. It has social possibilities in that the organized doctors may as a body enter into agreement with cooperatively organized patients to render service on a prepayment basis.

There are several hundred doctors' group clinics in the United States. This represents the control of industry by the workers. Some of these organizations enter into contractual relations with consumers and charge \$25 a year for medical service. This introduces the prepayment principle. With staffs representing all of the specialties, patients get improved service. Even the smaller of these organizations make possible better medical service than is to be had, in general, from the old method of individualistic, competitive practice. But this method of ownership and control by medical workers lacks the capacity to go on to solve a social problem. Workers' control has never tended to expand nor to prove permanent. It is not service controlled by the served. For this reason, as these doctors' clinics grow large and important, they can be saved from commercialism only by transferring the ownership and control to the consumer patrons or to the state.

Medicine in the interest of the consumers, taken out of the field of competitive business, exists in two forms: compulsory state medicine, and the voluntary non-political organization of consumers to supply themselves with medical service.

The first comes naturally as a result of the inefficiency and failure of the competitive business method. It is steadily expanding. In some countries, such as Great Britain, Germany and Russia, it has become the prevalent method. Doctors are employed by the government, citizens receive their services free, and the costs are met by taxation. Experience shows that this service tends to be mechanical. It would seem that the protection of the health of the individual and the treatment of his diseases are too intimate to be entrusted to the impersonal and compulsory mechanism of the state, particularly if some more human means can be employed. But with all its deficiencies state medicine offers advantages over private competitive practice, especially for the indigent, which justify its continuation. There is every evidence that it will continue to expand unless the people prefer and perfect the voluntary, private, non-political practice of medicine by cooperative organization.

The voluntary organization of patients is seen in groups of consumers with hospitals and other forms of medical service. The

religious denominational hospitals and many of the most important hospitals in the United States are of this nature. They are consumers' institutions. But cooperative organization is something specific, set up according to the standardized methods of what is called the cooperative movement.

COOPERATIVE HEALTH PROTECTION

The cooperative method in medicine is based upon the interest of the patients and prospective patients and is organized according to the approved methods of Rochdale cooperation. This is a practical attempt to make democracy workable. In it the consumers discover experts who are employed in their interest, to supply their need for services and commodities. A century of experience has witnessed its expanding success.

Cooperative organization for the supply of commodities or services begins with cooperative education. People study about cooperation. They then meet and organize a business to supply some need not adequately supplied. Retail societies federate and create their own wholesales. Wholesales go into manufacturing and ultimately get back to the sources of raw materials. By these methods cooperatively organized consumers are supplying themselves with all of the useful commodities and most of the needful services. Their retail distributive businesses are the largest and most efficient in many communities. In Great Britain and Sweden some of their manufacturing plants are the largest in these countries. Banking, insurance, electric supply, and many other services have attained to large proportions and represent the highest degrees of efficiency attained. After a hundred years of quiet and unostentatious development, the total membership of these cooperative societies represents more than one-fourth of the population of the world. Among these, the cooperative societies of forty countries are nationally federated, and these forty national cooperative leagues are united in the International Cooperative Alliance. This organization dates back to 1895, and constitutes a league of peoples of the world, organized in the interest of helping people get better access to the things they need. This is voluntary, non-political, and wholly in the field of private business; but private business for service and not for profit.

The cooperative health association should be organized in absolute conformity to the principles of cooperation. The non-profit character of the organization should be made clear in the by-laws

and articles of incorporation. It should be made clear that the association itself does not hire doctors at one price and sell medical service at another price, but that the members employ doctors directly for their own service. The health organization, as is the case with any other cooperative, is the instrument which results from the mutual association of people united to help one another get a desired service.

The cooperative medical method can begin with a few people uniting, pooling their resources of funds and ideas, each making an annual payment to employ a physician to protect their health. When a small number do this, let us say twenty people, each paying \$25 a year, the physician whom they select cannot give them all of his time. He must carry on his other practice. These twenty people represent patients who have paid him in advance. But they should stipulate a service which his other patients do not necessarily enjoy: he should be employed for the special purpose of preventing sickness.

With all its knowledge, the medical profession as a whole does comparatively little in the way of preventing disease. Indeed, as it is now organized, its prosperity depends upon the abundance of sickness. A few of the intelligent well-to-do people go to their doctor for a periodic health examination. But this does not even amount to a common practice. The 161,000 doctors in the United States are earning their living from the less than 2 per cent of the population who are sick. The 98 per cent are more important and should be enjoying benefits of medical science which they scarcely see. The preventive measures, quarantine, control of contagions, vaccination, etc., are largely promoted by the state. The average doctor's economic advantage depends upon people becoming sick.

Under the cooperative method, the physician should call at the homes of members at regular periods, once a month, or more often, to discuss their health problems. He should make examinations, be on the lookout for the premonitory signs of disease, and prescribe such preventive measures as are indicated. In the ordinary diseases he should stand by to do the necessary things to help the patient recover. He should not only be the physician but also the friend of the patient. When advice or treatment would be useful, which can be given better by some specialist, he should see that the patient gets this benefit. These little groups are like the cooperative buying club—a temporary method practiced as a beginning.

The cooperative method really begins when a group of 150 to

500 families unite to employ a physician full time. The number of people necessary and the costs depend upon their ability to pay. In the country, or in a small town, 200 families, representing 800 people, may put in an average of \$20 per family. That is at the rate of \$5 per person. This gives \$4,000 a year. Physicians are entering into this arrangement for salaries varying from \$3,000 to \$7,000. It is best that the annual costs per member be graded according to family income. If a group is divided into three classes of families, one group would pay \$40 a year, one \$20, and one \$10—making an average of \$20. A plan which should be equitable would be to make the average cost \$10 for one individual, \$15 for man and wife, and \$2 for each child or dependent. Thus, in a group of 200 married couples, of 380 children, and of 20 single adults, the income would be \$4,000.

This low cost would give only partial medical service. It would not supply specialists nor hospitalization. Twice the amount set down above is necessary for adequate medical attention.

The group may be divided into three classes according to incomes: class A with a family income of less than \$2,000, class B with \$2,000 to \$5,000, and class C with more than \$5,000. Class B would pay at the rate of 100 per cent, class A at 50 per cent, and class C at 200 per cent. These are tentative estimates and should vary with the situation to be considered. If the incomes are low, a large number of families will have to unite to raise the necessary money. The doctor should not know in what income group the members belong. This group system is not to be considered where incomes are much the same.

In a group of 200 families—800 people—the family physician has about 10 sick to care for. If he makes five visits a day and sees five people in his office each day, he is fairly busy. But some of the ten who are sick are under the care of specialists because the family doctor treats only the simple ills. Some do not need to be seen daily. He should have time to visit each of his 220 homes or see their members at his office about once every month. That is at the rate of seven visits a day paid to people who are not sick. Many of these report to him by telephone that all is well. The five visits a day and the five office visits also reduce the number of preventive calls necessary among the well. Some members, when they regard themselves as well, prefer to be visited at longer intervals.

Visiting the sick must take precedence over visiting the well. When there is much sickness, the visits to the well must be reduced.

So far as the medical service is concerned, the people may have as much as they are willing to pay for. The figures given above are purely tentative. It is advisable that the amount collected from each individual, if possible, should be larger than above provided.

The charge per member should be sufficient to develop a contingent fund. This should serve to carry for a time those members who cannot pay. It should serve also to employ an extra physician when the family doctor takes his vacation, or in the event of an epidemic, and to meet unpredictable conditions. Enough should be collected also to cover administration costs. Arrangements should be made with other doctors to supplement the health society's physician in emergencies or when he is over-worked.

There are also periods when there is little sickness. These should give the family doctor time for special study, research, and writing. Whether he is provided with house, office, and automobile, at the society's expense or his own, depends upon the amount of money raised. The family physician should arrange with specialists to give their services to members of his society at reduced rates. This can be done because the specialists are thus guaranteed a definite clientele.

One such cooperative group considers the family as the unit of membership, meaning a man and wife and any number of children under 21 living at home. Payments are made quarterly, with penalties for delinquency. Each family pays at the rate of \$1.30 a month, five cents of which is for administrative expenses. Individual members pay sixty-eight cents a month. The society provides ordinary medicines prescribed by the doctor; office visits to the doctor; a physical examination yearly; home visits by the doctor; advice before and after confinement, but a charge of \$10 for the delivery; vaccinations against diphtheria and smallpox; for ordinary minor surgery and fractures. Extra costs are added for other services. The service covers a seven-mile radius. Above this distance a charge of twenty-five cents per mile one way is added. The doctor is required to keep case records. This society provides that the doctor shall make adequate provision for a substitute when he is ill or on vacation.

Some societies add vaccination for typhoid, and include treatment of the eyes. Most societies exclude from their benefits the treatment of venereal diseases, although there is much to be said against such discrimination.

Hospitalization is the name given to an arrangement which

hospitals now make with groups of prospective patients. Hospitals offer to groups of ten or more people hospital service for a maximum of three weeks for a regular payment of \$9 to \$12 a year. This includes semi-private room, board, nursing, laboratory service, anesthesia, ambulance, and the ordinary interne service. The patient must pay the physician's fee, and for operations, X-rays, and special treatments. Many thousands of people are entering into this arrangement with hospitals and finding it satisfactory. It is also providing incomes for hospitals which are in financial need. The cooperative health society may make, when possible, if it does not have its own hospital, such hospital arrangement. This adds to the costs but is well worth the expense.

Some physicians in the United States are taking the initiative in such cooperative groups. The doctor lays the plans before his patients and helps them organize themselves into a cooperative healthy society which appoints him as its physician. In one case a doctor in Minneapolis showed his patients his account books and they employed him with a fixed salary based upon his average yearly income for the last three-year period. This costs the sick people less because they well provide most of the doctor's income. Both patients and doctors are pleased with this method. A physician can often afford to accept as a guaranteed salary an amount considerably less than his former yearly income.

No health cooperative develops unless some individual takes the initiative. A few socially minded people are spoken to and made interested in the project. It is advisable to have at least one physician in the organization group. Meetings are held and a plan of action adopted. Only high-class physicians should be brought into the enterprise.

Groups should beware lest a physician, who is not well qualified for the position, take the initiative in organization for the purpose of making a job for himself. It is for this reason that the advice of other doctors is needed in the selection of a physician. No attempt should be made to get a bargain in a cheap doctor; there is no such thing. The doctor should be adequately compensated, and he should see prospects of improvement of his income and leisure as the enterprise advances.

Education should go along with the organization. Meetings should discuss cooperative problems. Good literature on cooperation should be placed in the hands of members. The group should always have in mind expansion of their own enterprise and the

development of other cooperative projects. They should keep in touch with other cooperatives. Isolation and stagnation are fatal to cooperation.

Good medical service is not to be had at a low price. In general, all of the above figures as to costs could be advantageously made higher. Purchasing health is a good investment. In the United States, \$30 per person a year is now paid for medicines and medical service of all kinds. This means \$120 per family. Much of this goes for quackery. The cooperative method is showing the way to eliminate charlatanry from medicine. It is equally applicable to the dental and nursing professions.

According to the report of The Committee on the Cost of Medical Care (1931), less than 21 per cent of the population of the United States receive any dental care during the course of a year. Most dental attention is only for the relief of pain. The poor receive the least attention. Dental care is much a matter of income, as is medical care in general.

A full-time dentist in an average community should be paid about \$3,600 a year. His helper is paid \$1,200. They can take care of 500 to 1,000 patients a year. With dental materials costing \$1,200 and office expenses \$1,200, an assessment of \$7.50 per member suffices. Or a dentist may be employed with a salary, and patients who use his services may pay at a fixed rate.

This latter method is preferable, because it places the costs upon the people who use the service. On the other hand the protection of teeth, by a semi-annual inspection and cleaning, should be made available for all members. To meet these conditions a membership with an annual payment of from \$1 to \$5, to cover certain routine mouth attentions which every member receives, is desirable. Then in addition to this the member pays at cost for whatever dental work he has done.

In one cooperative dental society, each member pays \$5 for a share of stock. He is entitled to a semi-annual inspection of the mouth and cleaning of the teeth. He pays cash for all other services at the current rates. At the end of the year each patron member receives a savings return in cash, based on his patronage. The stock may be turned in for cash if he wishes to withdraw from membership. Loading up the society with people with bad teeth, who discontinue their membership after their teeth are repaired, occurs where an annual fee covers all dental service.

Nurses may advantageously be employed by a cooperative

health society as assistants of the physician, to be sent to such cases as he designates. The costs may be assessed against every member, or members may pay only as they employ the nurse.

Many groups as above described are organizing in the United States. These cooperative units represent the beginning and should be thought of only as the beginning, the same as the isolated cooperative store society. There remains much to be done. Such health societies should preferably be organized in and about a town where there are specialists and hospitals. When enough groups are formed, each with its family physician, they should federate the same as cooperative commodity societies federate for wholesale advantages. When fifty such adjacent groups are federated, a body of 10,000 families is formed. They are then in a position to take over a hospital. To provide hospital facilities for a community of 40,000 people, a 200 bed hospital is needed. This would take care of general medical, surgical, maternity and children's cases. A yearly payment of \$35 per person is necessary for expenses.

An admirable example of what actually can be done is the Community Hospital of Elk City, Oklahoma. This is a town of 7,000 population. The cooperative health association sold stock at \$50 a share to raise capital to build an eighty bed hospital. Medical service is given to members for \$25 a year for a family of not more than four. This supplies periodical medical examinations, medical care, surgical operations, and dental care. Room, board and nursing in the hospital are supplied at \$1 a day.

When necessary a smaller or larger hospital may be taken over or arrangements can be made to use a wing or a ward of a hospital. A private dwelling is often converted into a cooperative clinic.

Many students and organizers in the field of cooperative medicine believe that complete medical service should be the primary aim. Partial service is inadequate and disappointing. Many believe that a cooperative hospital, owned by the patients, should be the first aim. If there is no hospital that can be taken over and made cooperative, then one should be built. Enough people should be gotten together to carry out such a program. This means provision not only for general practitioners but for specialists also. The feeling is that the cooperative health association should revolve around the hospital and clinic. Then not only can hospital facilities be guaranteed under consumer control, but laboratories, nursing, and other medical needs also.

There are many medical services and hospitals in this country,

run in connection with certain industries, which are essentially cooperative. There are those of the clothing workers, railroad employees, etc. Many are independent of the employers and are controlled solely by the employees. Fraternal societies and trade unions carry on health service and have many hospitals. The members pay from \$6 to \$25 a year for the service. Many of these can be made cooperative.

The number of people subscribing to the hospitalization plan in some cities now runs into many thousands. It would be a natural step for these people to become cooperation-conscious, unite into a consumers' society, and take over the hospital which serves them. A hospitalization group could unite for just this purpose. There are many hospitals needing such an organization to make them more effective—and cooperative.

The cooperative health associations in other countries are well established and expanding. In the United States progress is slow and difficult. This is partly because of the uncooperative character of the people and the social backwardness of the medical profession. The incredible fact has to be faced that salaried officials of the American Medical Association use their influential position to misinform the medical profession concerning cooperative medicine. As a result, doctors in their ignorance place obstacles in the way of health organizations which organizations would be of help to the health of the people, which would reduce the amount of sickness, and which would improve the incomes and scientific work of doctors. Doctors are told by the American Medical Association (1) that cooperative medicine violates the free choice of physicians, (2) that it represents a corporation practicing medicine, that (3) there is something wicked about doctors receiving salaries from patients and that a fee paid for service after the service has been rendered represents the ideal method. It is also asserted (4) that cooperative health associations advertise and solicit patients, (5) that they come under the insurance and not under the cooperative law, and (6) that they destroy the family-doctor relationship. These objections to cooperative medicine are not valid. They are all answered in this pamphlet.

Many cooperative health associations in the United States have been stopped in process of organization by the intimidation of their physicians by some department of the American Medical Association. Some in existence have been destroyed. Physicians who would serve a cooperative health association have been dis-

missed from their county medical society. Attempts to deprive them, by legal means, of the right to practice medicine have been made. Hospital privileges have been denied to doctors not because they were incompetent but because they were connected with such associations. These doctors who were thus discriminated against were men of superior qualifications; and injustice was done to them, to their profession, and to the public by such attacks upon their professional positions.

Most every cooperative health association in the United States is hampered in its expansion by this attitude of the American Medical Association; and, from the viewpoint of the author of this pamphlet, the progress of medicine and the health of the people are damaged by this policy which fails to take cognizance of the changing conditions of the times in which we live.

The Group Health Association of Washington, D. C., has been the object of such attack which has in some instances hazarded the lives of patients—and also resulted in a bill in Congress to investigate the American Medical Association and its methods. This health organization has 2,500 members. It supplies practically complete medical service and hospitalization for 21 days to individual members for \$26.40 a year and to families for \$39.60. It is highly thought of by students of social medicine who have studied it.

The Health Association of Greenbelt, Maryland is another of these new organizations doing excellent service. Others are the St. Louis (Mo.) Wage Earners Health Association, the San Diego (Cal.) Beneficial Society, and the Milwaukee (Wis.) Cooperative Health Society. A multitude of these cooperatives are being formed and devising means to circumvent the obstacles put in their way by doctors who hold the position that there is something sacrosanct about the fading individualistic competitive practice of medicine.

A method of procedure practiced by the Ann Arbor (Mich.) Cooperative Health Association seems most effective. The organizing committee went to doctors who were highly esteemed by the profession and by the public, explained cooperative medicine to them and asked their advice. The committee then did the same thing with the officers of the county medical society. As a result of informing these influential doctors, the organization of the health association proceeded not only without medical hostility but with the assistance of the organized medical profession. And as an indication of the esteem in which the association is held, several high-

class doctors came to the association and offered it their services. The misinformation transmitted to the medical profession by its national organization can be corrected by patient methods and the doctors are grateful for the information.

The charge that a cooperative health association is a corporation practicing medicine is not taken seriously by the intelligent physician who stops to think. It is obvious that when such an association employs a physician, it is the physician who practices medicine. An individual may employ a physician to protect his health and the individual does not practice medicine. A family may do the same, and it is still the doctor who practices medicine. A cooperative association is an expansion of the family principle. There are cooperative societies of five or ten people, smaller than some families. The doctor is employed to protect their health, and this is a legitimate right of both parties.

Advertising and soliciting patients is forbidden to doctors by the American Medical Association. This practice which is common in all other businesses is regarded as a violation of medical ethics. But doctors employ these methods, nevertheless, by indirect means. The cooperative health association is not engaged in profit business like the practicing physician. It is a non-profit service organization. The members buy medical service but they do not sell it. They make no profit; they make savings by buying at lower cost. Non-profit organizations, run for the direct service of the members, violate no ethical principle in using every effort to bring their service to the attention of other people who would be benefited by becoming members. There is no ethical reason why such associations should not publish statements about their work and the advantages of membership and invite persons to join. Medical societies, clubs, churches, universities, and every other sort of non-profit organization, set up for the sake of the members, practice such solicitations for membership. However, cooperative health associations in general refrain from advertising and soliciting for members. This is to placate organized medicine, and will probably be continued until this hostility is melted away by the enlightenment of the medical profession.

COOPERATIVE HEALTH SERVICE

The kind of group best adapted to start a cooperative health society is one which has some organization or cohesion, such as an existing cooperative society. Here are consumers with experience,

and ready to add another department to their activities. A society supplying groceries, meat, milk or housing to its members is already carrying on business which has much to do with health. The next step would be natural. The assertion can be made without reservation that every going cooperative society can add medical service to its functions. Where there is a federation of societies into a league or wholesale, each society can maintain its service and the federation can conduct the central clinic and hospital. The experience that has won success for a commodity supply business can be used to make medical service succeed. Indolence, absence of self-assurance, lack of confidence in one another, fear of failure, the tendency to accept things as they are, and the lack of the right person to take the initiative are some of the reasons why cooperative societies stand still and fail to step into this field of cooperative medical service.

An example of a cooperative society making use of hospitalization as its means of beginning medical service is the St. Andrews Cooperative Company, Nova Scotia. This society, with a store, a credit union, and other activities, pays St. Martha's Hospital \$9 a year for each member of the society protected. In return for this payment the hospital provides the members of the cooperative with ward service for a maximum period of five weeks in the event of sickness justifying hospital treatment. This includes doctor's service, ordinary medicines, laboratory service, operations, maternity service, nursing, etc. In case the patient desires a private room a fifty per cent reduction is made. The same reduction is provided for X-rays and special medicines and treatments. The society pays the \$9 for each member out of the surplus savings of its business. Only those members are eligible to this hospitalization benefit whose patronage of their society amounts to \$100 a year or more. The next natural step for an organization such as this is the employment of its own physician, as above described.

The credit union, of which there are over 7,000 in the United States, lends itself particularly to cooperative health organization. Its members are usually of the same neighborhood, and they are of about the same economic status. The credit unions are federated into local leagues and into a national organization. Every one of them, large and small, like other cooperative societies, could begin with the employment of a family physician or enter into hospitalization arrangements. People in the same industries, clubs, and

church organizations can translate their associations into cooperative health societies.

There are two ways of taking this step. Any organization, with one vote for each member, may pass a resolution at a members' meeting to the effect that a physician shall be employed to serve all of the members. They may vote to purchase hospital service for the members; to take over a hospital; to employ specialists, nurses, or a number of physicians; or to build a hospital. All of this depends upon the number of members and the money available.

Rather than commit to medical service a whole organization which has been set up for some other purpose, it is often better to create a separate cooperative medical association for those members who wish to go into cooperative health service. This method does not coerce a minority who might not favor the health associations.

. . . The committee should have made exhaustive research into the background, character, education, and qualifications of candidates. The doctor selected should be a graduate of a Class A medical school. He should have had hospital internship of at least one or two years and preferably should have been in private practice for a few years—enough to have discovered its difficulties. Such a physician will be found acceptable to most families. As in the case of the minister of the church, there may be members who are irreconcilable. There remains only one thing for them to do: that is to withdraw from the organization. . . .

STATE MEDICINE VS. COOPERATIVE MEDICINE AND THE PREVENTION OF DISEASE

Cooperation is the opposite to state socialization of medicine. It represents non-political, voluntary, private, non-profit organization. This should be clearly understood. American doctors are confused about the socialization of medicine. They dread state socialization. They fear the regimentation and mechanization of their art. They are aware of the corrupt quality of American politics. And with much justice, they want their profession free from the complications which state socialization would introduce. They need to advise themselves that there is such a thing as non-political socialization of medicine—the voluntary cooperative method. But this knowledge is slowly penetrating the medical profession. Progressive and informed doctors are sympathetic to cooperative health protection. The profession in general, as it be-

comes better informed, approves this plan of service. When doctors get the facts concerning cooperation and the simple fundamentals of economics, they become aware of the advantage this method offers to both doctors and patients.

ANALYSIS OF THE AMERICAN MEDICAL ASSOCIATION²

A DISCUSSION BY THE BUREAU OF MEDICAL ECONOMICS

The cooperative movement is not new, although only in recent years has it begun to attract national attention in the United States. In 1844 the twenty-eight Rochdale Weavers started their first store and established the principles that have proved essential to success. At present the Cooperative National Alliance claims over 100,000,000 members in its affiliated societies. These societies are found in every continent and in almost every nation. They have become a significant part of the economic and social life of the low income classes over large sections of the globe.

Certain fundamental principles developed by these Rochdale Weavers have been found essential to success in nearly all cooperative undertakings. Where these principles have been neglected, in the United States at least, failures have been far more numerous than successes. There are few communities in the northern industrial and agricultural states in which at some time in the past there have not been cooperative undertakings. Some disappeared because they failed to apply the tested principles, but in many cases the most faithful application was unable to establish a permanent undertaking.

. . . Cooperation is primarily an "economy" or "saving" scheme. It seeks to save for consumers a percentage of excessive costs of competitive distribution. The cooperative buys at wholesale, or direct from the producer, and then distributes the goods with a low cost of administration through sales at regular retail prices. The manner of distribution of the resulting economies seems to be the secret of solidarity and continuous growth. This distribution is sometimes called a "patronage dividend." Each member having purchased one or more shares, at rather moderate cost, to create the necessary capital receives his "dividend"—usually monthly—in the form of a percentage of the purchases he

² Quoted, with permission, from *Cooperatives and Medical Service*, pamphlet of the Bureau of Medical Economics, American Medical Assoc., Chicago, 1937, pages 2-10.

has made during the previous month. The expectation of this dividend retains the interest of the cooperator and prevents his being lured away by "bargain offers" elsewhere. . . .

MEDICAL PRACTICE IN COOPERATIVES

Just now there is quite a general attempt to attach to the co-operative movement some decidedly undesirable forms of medical practice. Medical service does not seem to lend itself to co-operative handling. There is no separation of employers and employees in its production and certainly no need for "middlemen" in its distribution. Medical service cannot be bought at wholesale and sold at retail, and therefore there cannot be any "patronage dividend." Lacking these characteristics it is difficult to see how co-operation can enter this field without violating not only some of the fundamental principles of successful cooperation but also most of the principles of medical ethics on which suitable medical practice is based.

Attempts to organize "cooperative medical service" have generally failed to observe these fundamental principles. They did not start with the objective of abolishing "middlemen" in distributing medical service. On the contrary, the first thing every such organization has done was to introduce a new, harmful and wasteful group of "middlemen." These were introduced on the basis that they were necessary to "organize" the distribution of medical service. That is exactly the excuse used to justify "middlemen" in the industrial and commercial world. It is also exactly the same excuse that the racketeer uses when he starts about "organizing protection" for those from whom he demands tribute.

Forcing these "middlemen" into the distribution of medical service does something else that destroys one of the strongest arguments for cooperation. Cooperators have always given first consideration to the high quality of goods distributed. They propose to consume those goods themselves and, therefore, they want them as good as possible. They realize that adulteration and all other forms of deterioration of a product injures the consumer first of all. Public confidence in cooperation is largely based on this long tradition of high quality.

In medical service the quality depends to a large degree on the method of distribution. The moment medical service is distributed through an intermediary—a "middleman"—one of its most essential qualities is destroyed. When the physician distributes direct to

a patient there is mutual confidence leading the patient to tell the physician the things necessary for a good diagnosis and compelling the physician to accept the heavy responsibility which insures his best efforts. The moment a medical service is either mechanized or distributed through a third party organization, the product—medical service—is diluted and adulterated.

The most competent and conscientious physicians refuse to deliver their services to such "cooperatives" under conditions that they know are destructive of the best results of their skill. They know that "distribution" through an individual, personal and confidential relation of physician and patient is an essential part of the service itself.

The difficulty of applying cooperative principles to medical service was clearly evident to Dr. James Peter Warbasse, who is a physician and who for many years has also been one of the leaders in the American cooperative movement. The only suggestion that he can make as to the application of cooperative principles in the field of medicine is that given in the following paragraph. [From J. P. Warbasse: *The Doctor and the Public*, New York, Paul B. Hoeber, Inc., 1935, p. 522. Nor does he offer anything more constructive in his later work, *Cooperative Democracy*, Harper & Brothers, New York, 1936]:

For Health service, use can be made of these cooperative societies or similar non-profit organizations controlled by consumers, such as hospitals, clinics, social service groups, insurance and fraternal societies, churches, and clubs. Upon these can be engrafted a medical service. Or new consumers' societies for such service may be established. Medical service in existing cooperative consumers' societies is already successfully in operation. It is standardized and efficient. A few examples have been cited.

What he really proposes, therefore, is that a medical service be "engrafted" upon a cooperative just as it would be "engrafted" upon a fraternal society, church or club. The attempt to engraft service on such cooperative organizations, fraternal societies and clubs in Europe resulted in such a debauchery of medical service as to drive practically every nation, where such a system existed, into compulsory insurance. Even the powerful cooperatives of Belgium, which have gone further in this direction than any others, have found no real way to introduce medical service cooperatively. What they did was exactly what Dr. Warbasse

suggested. They used their financial resources, solidarity and organization machinery to "engraft" a medical service upon their societies. They set up clinics, the operation of which is practically identical with the larger clinics in this country.

When compulsory health insurance was introduced in England the cooperatives sought to find a way by which they could provide medical service for their members. The only thing they could suggest was to "engraft" a medical service in the form of clinics, through which they proposed to deliver medical service. This plan was promptly vetoed by the ministry of health and nothing further has been heard of it.

Wherever the cooperatives have used their financial resources and their organization machinery to build up club medical practice the result has been to supply their members with an inferior form of contract medical service. This has been true in this country in the few instances in which attempts at such "cooperative" organization have been made. Any cooperative that would follow a similar policy in regard to distribution of food would be at once condemned by a sincere cooperator. Such proposals gain a hearing only because cooperators are no more able than others of the lay public to judge of the quality of medical service.

Dr. Warbasse has set forth his ideas of how cooperation may be applied to the provision of medical service, in a pamphlet published by the league under the title "Cooperative Medicine." It is difficult for him or for any one else to reconcile cooperative principles with any proposal to furnish medical service. He concludes that, since medical colleges and hospitals had low standards when they were owned and operated by physicians, consumer control would improve these standards; the medical profession, however, raised the standards, not any lay organizations or the government.

Dr. Warbasse suggests that the "cooperative method" requires a "group of 150 to 500 families, who should unite to employ a physician full time." Then he throws away the cooperative principle of equality and accepts the professional principle of the sliding scale in the conclusion that "it is best that the annual costs per member be graded according to family income." He would have three income classes, one of which would pay \$40, one \$20 and one \$10 a year. Just how would this differ from the sort of contract medicine that has been built up by lodges and other groups, and still more frequently by unscrupulous promoters?

While he insists that "only high class physicians would be

brought into the project," nowhere does he tell how this can be done in view of the opposition of physicians, which is based on the fact, learned from hard experience, that such methods lead to deterioration of service and attract only the incompetent and unethical physician. He warns groups to "beware lest a physician who is not well qualified for the position take the initiative in organization for the purpose of making a job for himself." This is exactly what has happened and what will continue to happen.

Dr. Warbasse is himself too thoroughly familiar with the conditions of good medical practice to suggest that one of the fundamental principles of cooperation should be put into operation; namely, buying at wholesale, selling at the market price, and distributing the difference as a "patronage dividend." He also realizes that the selection of a physician for others by the directors of the scheme would not please everybody. As to those who are not pleased, he says "There remains only one thing for them to do: that is, to withdraw from the organization." Dr. Warbasse's essay leads to just one logical conclusion: A man who is both a sincere cooperator and a competent physician finds his intellect in a civil war; it is impossible to reconcile these two positions sufficiently to apply cooperative principles in practice to medical service.

HERE'S TO YOUR HEALTH³

Group Health has been the center of a whirlpool of argument. It has been warmly praised by many intelligent men and women. It has been bitterly denounced by other intelligent men and women, mostly doctors. Other doctors, including nationally known leaders in their profession, have stoutly defended it and fought for it. It has been ostracized, or practically ostracized, by the hospitals of Washington. It has been loyally supported by several thousand people, Government workers and their families, who have found that it solves their medical problems. It has been attacked in the courts. It has been the subject of debate in Congress. It gave rise to charges, unique in American legal history, made before a grand jury by the Federal Government against a medical organization of high standing. And it has filled columns in the newspapers of Washington and other cities.

³ Quoted, with permission, from *Here's To Your Health*, Prepared and Published by Group Health Assoc., Inc., Washington, D. C., corrected to July 1, 1940, pages 3-20.

Through all this turmoil, Group Health has gone steadily about its work of relieving and preventing sickness among its members.

. . . Actually, soundly organized group practice does not threaten the medical profession. On the contrary, it can vastly spread the application of modern medicine by lowering its cost and in other ways. The medical profession today is supposed to be overcrowded, yet immense numbers of people do not get enough medical care simply because they cannot afford it. If medical men will get behind the movement represented by Group Health, join with it, and help to make full medical service available to more people, they will find that there are not too many doctors but too few to do all that needs to be done.

They will do this, in time. The kind of organization represented by Group Health is so reasonable, so badly needed, and so completely in line with the character of modern medicine that the movement cannot fail. It will succeed, it will grow, and more doctors will join with those who realize its rightness and inevitability. The catch-as-catch-can system of private medical practice has done and is doing magnificent things, but it is more and more out of step with modern needs for a large part of the population. From certain standpoints it is primitive, like the ancient system of private tutors, long ago replaced by integrated schools and universities, and it is certain to change.

This is not to say that the change will be easy. Group practice in one form or another has been notably successful in various places, but the movement as a whole is still in the pioneering stage when it needs courageous, fighting support. It presents difficult new problems, and some attempts may fail because these problems are not handled wisely. They will be solved as intelligence, energy, and good will are progressively brought to bear on them.

Group Health, as one organization in the broad movement, should have particularly good chances of success. Its potential membership is large, and the members are a homogeneous group, all working for the Federal Government, accustomed to cooperation, and with reasonably steady jobs.

Group Health Association, Inc., is a cooperative organization of men and women in the employment of the United States Government who desire to provide for themselves and their dependents appropriate medical and hospital services at a predetermined cost. They do this by paying a stipulated sum each month into

a common fund which is used to employ a staff of doctors, nurses, and technicians and meet certain administrative and operating expenses.

Before going on to a more detailed discussion, let us consider four broad principles back of Group Health.

First, cooperative action. What no individual can do alone, a group of individuals can accomplish by acting together. You could not afford to erect a school or hire teachers for your children, or to build a modern highway in front of your house. By pooling its resources, the whole community can share the finest schools and highways. Each individual pays only a fraction of what he would have to pay if he tried to do these things himself. The members of Group Health pool their resources to get the best medical care for the whole group. The more members there are to share the costs, the more they can afford in the way of specialists, equipment, and laboratories, far beyond what can be found in the average doctor's office.

Second, lower costs. If only a few people buy automobiles, they come at a high price. They would be still higher if large numbers were given away, while the few people who bought them paid for the entire production. This is actually the case with the usual system of medical care. Between charity cases and unpaid bills, the average doctor gives away a surprising amount of his professional service. Those who do pay for it must be charged accordingly. Under the Group Health system no patient has to be charged double to make up for those who pay nothing or very little.

Third, budgeted payments. Most people would find it very difficult or impossible to own an automobile if it had to be paid for in a lump sum; or live in a house if several years' rent had to be paid in a lump sum; or buy food if the bills came in at wide and irregular intervals. But this is what ordinarily happens with medical care. Once or twice or several times in your life, it is almost certain that you will be staggered with a huge bill for a serious illness or operation. This cannot occur under the Group Health system. An irregular expense is evened out by regular monthly payments, much as it is when you buy an automobile or a house. The hardship is removed because the method of payment fits in perfectly with the salary or wage system by which you receive your money. This benefits the doctors as well as the patients. Assured of a good income and freed of insecurity and

worry over business details, the doctors can devote all their energy to their professional work.

Fourth, preventing sickness. Life insurance interests have strongly urged periodic physical examinations, as exemplified by the Life Extension Institute. They do this because it pays by preventing sickness and lengthening life. Diseases that might be fatal or crippling are detected in their early stages, when they can be cured. Individuals learn how to live healthily. The whole trend of modern medicine is toward preventing disease, toward creating health. Yet medicine cannot live up to its own ideals because most people do not go to a doctor until they are sick, or very sick. Through no fault of his own, the average doctor makes money when people are not well. Group Health makes money when its members are well, because then its costs are lower. Under the Group Health system, you can have regular examinations, or consult a doctor at any time, without extra charge.

Finally, in a nutshell, the Group Health system enables you to take care of your greatest asset, your health, in a way that is reasonable, thorough, intelligent, and regular. It reduces the cost of medical service by spreading it among a large cooperating group. It is virtually complete, including specialists, surgeons, equipment, laboratories, hospital care. It protects you against heavy emergency expenses. It budgets the cost of sickness and accident evenly throughout your life. It is oriented toward keeping you well all the time rather than merely treating you when you are ill.

THE NEED FOR THE GROUP HEALTH MOVEMENT

Good health is of prime importance not only to individuals but to the nation as a whole. This is evidenced particularly by the study made by President Hoover's Committee on the Cost of Medical Care, which resulted in the publication of 28 volumes, and by the recent conference called by President Roosevelt's Interdepartmental Committee on Medical Care, under the chairmanship of Josephine Roche, formerly Assistant Secretary of the Treasury, which recommended an \$850,000,000 program of Federal public health assistance.

Publication No. 27 of the Committee on the Cost of Medical Care shows that no age group escapes illness in a large percentage of its members. The need for medical care, preventive and curative, during every year of life is practically universal.

Every study of medical care shows that at present it is far from satisfactory. Only part of the rich and part of the very poor receive the best of medical care. The rich receive good care because they can afford to pay the cost. In certain cities those of the very poor who are not ashamed to accept charity get excellent medical care at clinics and hospitals. The great middle income group cannot afford to pay for adequate medical care at the prevailing scale of charges and are either ineligible for charity or are unwilling to accept it.

A study by Dr. Samuel Bradbury, entitled "The Cost of Adequate Medical Care," published in 1937 by the University of Chicago Press, shows that adequate medical care, preventive and curative, would cost on the average \$75.75 per person per year, or \$310 per family, under the minimum fee schedule adopted for 1933-34 by the Chicago Medical Society. It showed further that the present annual expenditures for medical care in the United States amount to about \$17 per person, or \$70 per family.

From these figures it is evident that most people are not receiving adequate medical care. It is also evident that most families cannot afford to pay \$310 a year for this purpose, since even in prosperous 1929 about 60 per cent of American families had incomes below \$2,000.

One reason for the present high cost of medical care is the extreme complexity of modern medicine and of necessary treatments, such as surgery, X-rays, radium, and physiotherapy. Another reason is that under the present system a large proportion of doctors' bills never are collected. The patients who do pay must bear the cost of medical service for those who do not. In "Doctors, Dollars and Disease" (Public Affairs Committee Pamphlet No. 10, 1937, New York City), appears the statement: "Over 40 per cent of doctors' bills are six months overdue. Most of these bills will never be paid in full."

The primary difficulty is not that the average doctor's income is excessive. In spite of the high cost of medical care, the net income of doctors is rather low. According to a committee of the State Medical Society in California, the average doctor in 1933 had a net income of less than \$3,000. The Committee on the Cost of Medical Care reports that in 1929 half the general practitioners in the United States as a whole earned less than \$2,500.

The real trouble is that methods of distributing medical care have not kept pace with the development of medical science.

"Specialization in medicine," says Dr. Hugh Cabot of the Mayo Clinic, "has today brought about a situation in which a useful knowledge of the diagnosis and treatment of disease has become quite beyond the grasp of any single human mind." A hundred years ago individual practice of medicine by doctors was an economical method of making medical treatment available to the public. With the development of specialists and complicated clinical and laboratory equipment and technique, this method no longer is economical. Another quotation from Dr. Hugh Cabot illustrates this point: "The isolated physician or the isolated specialist carries on under grossly wasteful surroundings. Duplication of overhead expense is excessive in the provision of expensive equipment, both for laboratories and for the actual putting into practice of medical procedures." Dr. Cabot then points out that large savings are possible through group practice of medicine, in which a number of doctors pool their knowledge and equipment. In his view, "The position of the general practitioner, more or less isolated, as he so commonly is, is inevitably becoming more and more precarious."

The general practitioner is not now in a position to give complete medical service. Neither are individual specialists. Adequate diagnostic service and equipment for treatment are available only at hospitals and clinics, such as the Mayo Clinic and the Johns Hopkins Hospital.

Dr. Richard C. Cabot, Professor Emeritus of Clinical Medicine, Harvard University Medical School, contrasts the quality of medical care given by group practice with that provided by individual doctors:

"Now, such groups [as the Washington Group Health Association] give, I am perfectly sure, better doctoring for less money. They make more right diagnoses, they save more lives, they produce . . . fewer unnecessary operations, the greatest single curse of American medicine today * * * How do I know these things? I know because for thirty years I've done both. One in the morning and one in the afternoon. As a member of the staff of the Massachusetts General Hospital, I've done group practice for the poor, of course without compensation, during the morning * * *. I was able to do far better work for the poor than I was able to do for the well-to-do in the afternoons when I was earning my living."

. . . Doctors as well as laymen have long been aware of the weaknesses in the distribution of medical care and have sought ways to improve it. Most of the developments in group practice of medicine have been initiated and carried through by doctors themselves. Group practice was the answer of many doctors to the need for joint work by a group of specialists able regularly and frequently to consult each other. It was the result, further, of their recognition of the need for much more and better equipment than individual doctors can afford.

Group practice began first in the great charity hospitals. In these hospitals over 40 years ago, groups of doctors began to provide charity service for constantly increasing numbers of patients. "Here was a situation," as Dr. Hugh Cabot says, "which came about purely through the human craving of physicians to take advantage of the specialized knowledge of their brethren. It had no financial aspects. There at that time, and perhaps even today, was to be had the best article of medical service available."

The next development was private group practice. William and Charles Mayo, then two unknown young physicians in southern Minnesota, were largely responsible for this development. Today they are perhaps the best-known physicians in the world. From small beginnings their clinic grew to its present enormous size through careful selection of doctors and provision of the best medical service available anywhere. As Dr. Hugh Cabot says, "The theory of private group practice is the binding together of a larger or smaller group who pool their earnings, accept fixed salaries, and undertake to carry on a cooperative venture." There are now many groups similar to the Mayo Clinic.

The next step was for an organized group of doctors to charge patients so that the cost of medical care could be budgeted in advance. One of the first and most successful medical services operating under the regular prepayment plan is the clinic organized and operated by Doctors Ross and Loos in Los Angeles, which now serves over 60,000 people. Many of these groups, in addition to using the budget plan, have attempted to reduce the cost of adequate medical service. Groups have been operated successfully on the prepayment plan for several years at Los Angeles, Little Rock, San Diego, and Baton Rouge. In certain cities, notably New York and Washington, the hospitals have such a plan, but it is limited, of course, to payment of certain hospital costs.

The most recent development in the field of group practice is based on cooperation by those who use the service. Group Health Association in Washington and the Farmers Union Cooperative Hospital at Elk City, Oklahoma, are the outstanding organizations of this type. Again Dr. Hugh Cabot throws light on this development:

"The methods and the ideals of cooperative group practice are specifically those of private medical group practice as it has grown up in this country during the last 30 years. It differs only in its methods of financing and in its applicability to people of various economic levels. In other words, its differences are social, financial and economic—not medical . . . Here, however, the initiative in organization comes from the consumer (the patient) instead of from the producer (the doctor)."

As long as group medical practice was confined to charity hospitals and apparently did not threaten to affect doctors' pocket-books, they encouraged it. When the Mayos developed the method for private practice, organized medicine opposed it. Doctors argued that the result would be unfair competition, deterioration in medical service, loss of freedom in choice of physicians, loss of personal relations between patient and physician, and poor service from physicians because if they were on a salary they would lack the incentive to do good work.

In spite of this opposition, the success of certain private group practice services was so great that organized medicine has largely withdrawn its opposition. "As time has gone on," says Dr. Hugh Cabot, "organized medicine has had to recognize that private group practice was an established fact which no amount of criticism and sniping could destroy. On the other hand, they have remained strongly and violently opposed to prepayment group medical plans. Here again the charge of unfair competition is brought up and here it is more justifiable because in fact the saving is passed on to the consumer. But I wonder whether a type of organization which succeeds in delivering an equally good article at lower cost can properly be criticized as indulging in 'unfair competition.'"

Organized medicine now uses the same arguments against cooperative group medical services, organized by consumers, that it used against private group practice thirty years ago. It is a fair question whether these arguments are not as fallacious now as they proved to be in that case.

GROUP HEALTH IS A SUCCESSFUL, GOING CONCERN

Group Health Association opened its clinic at 1328 Eye Street, N.W., for service to members and their eligible dependents on November 1, 1937. On July 1, 1940, it had built its membership to 2,560, and the number of individuals included in the service had risen to 6,012. This growth is remarkable and amply demonstrates the need for and interest in this cooperative association. Group Health's first year of operation was very successful, in spite of opposition from the District Medical Society.

During the summer of 1938, the legality of Group Health Association under the laws covering insurance and corporate practice of medicine was questioned by the District Medical Society. Justice Jennings Bailey of the United States District Court ruled on this question and decided that Group Health violated no laws and that the challenge to its legality was not valid.

Group Health Association has built up an excellent professional staff. From hundreds of applications, the Association has chosen doctors and technicians with outstanding qualifications, training, and experience. Group Health Association is able to offer each of its doctors a salary greater than the average doctor's net income. The salaries of its doctors range from \$3,600 to \$7,500 per year. On July 1, 1940, its clinic staff consisted of:

Medical Director
 Surgeon and Proctologist
 Pediatrician (baby specialist)
 Three General Practitioners
 Ear, Nose and Throat Specialist
 Optometrist
 Urologist
 Obstetrician and Gynecologist
 Five Registered Nurses
 X-ray Technician
 Two Laboratory Technicians
 Two Graduate Pharmacists

Group Health Association also has unusually modern and complete equipment for prompt and accurate diagnosis and treatment. Some of the more important items of equipment follow:

200 milliampere X-ray apparatus complete with fluoroscope and necessary attachments for giving superficial X-ray treatment.

Electro-cardiograph—for recording heart action.

Basal metabolism apparatus—for measuring the activity of the thyroid gland.

Laboratory complete with all modern equipment for diagnostic purposes, including microscopes, hydrogen-ion colorimeter, ordinary colorimeter, centrifuge, incubator, hot-air dryer and sterilizer, hemoglobinometer, serological diagnostic equipment, equipment to make autogenous vaccines, equipment to analyze various fluids to make tests for parasites and to make various blood tests in connection with certain diseases.

Complete eye refraction room for diagnosis and treatment.

Complete ear, nose, and throat room.

Two ultra-modern short-wave diathermy machines.

Ultraviolet light. Cold quartz light.

Electric cautery equipment.

Room for minor operations, including the latest type anaesthetic machine and a compression and suction machine.

Room containing an autoclave, a sterilizer, instrument cabinet, surgical instruments and accessories, and other supplies.

The clinic is well organized and efficient. Members make appointments in advance, come to the clinic, and as promptly as possible are sent to one of the numerous medical offices or examination or treatment rooms. Their visits and case histories are kept up-to-date in individual folders. Prescriptions, if needed, may be filled conveniently at the clinic pharmacy at low cost.

. . . All employees of any branch of the Federal Government are eligible to join the Group Health Association.

. . . Since Group Health is a cooperative, it is expected that as a member you will assume the responsibility of keeping yourself informed about your Association, offering suggestions for improving the service, and taking an active part in the development of the Association.

The scale of monthly payments is as follows:

Single member, \$2.20

Husband and wife, \$4.00

Husband and wife and all children under 18 regardless of the number, \$5.00

For each dependent 18 to 21, add \$1.00

For each dependent over 21, add \$2.20

In addition, there is a charge of \$1 for the first house call in each illness, but no charge for subsequent house calls. In confinement cases, the member pays the first \$25 of hospitalization costs. Each member also pays a \$10 membership fee, which can be paid at the rate of \$1 a month and which becomes part of the Association's operating capital. If you leave Washington or the Government service, or resign from Group Health after two years, you can be reimbursed for your membership fee by arranging to have it transferred to an incoming new member.

CHAPTER VI

APPRAISAL OF THE STRENGTHS AND WEAKNESSES OF THE CONSUMERS COOPERATIVES; AN ENUMERATION OF PROBLEMS TO BE SOLVED

THE FUTURE OF COOPERATION¹

THE result which would best respond to the hopes of the writers of this book would be that the reader who has read thus far might have shared in some measure their own experience. They began with one end in view—to lay bare the character and meaning of a great and complex movement of more than national significance, a movement which originated in the confused social aspirations of more than a century ago, and has evolved in our own day into an enterprise so vast and so varied in its structure as almost at first to defy description or analysis. The task was begun without preconceptions. It was continued in a spirit of critical investigation. Gradually, as the movement took shape in this study, the tangled impressions of the earlier discussions gave place to a growing sense of order and pattern both the historical evolution of the movement and in its present organization. The conviction grew that we were witnessing in this process of evolution the working out of a vitally significant principle of social and economic action, so essentially right in relation both to the need of which it was born and to the forces to which it gave meaning and purpose, that neither external opposition nor its own confused advocacy and uncertain application could hinder the result. A false start, under the influence of utopian dreams, was but the occasion for a fresh beginning. The notion that men might combine instead of competing to satisfy their common wants inspired ordinary people to great achievements and led to the discovery of unexpected abilities. The resulting combination of ideal and action expressed itself in a vari-

¹ Quoted, with permission, from *Consumers Cooperation in Great Britain*, by Carr-Saunders, Florence and Peers, Harper & Brothers, New York, 1938, pages 515-534.

ety of organic forms, some of which proved capable of survival, and others not. Once the most effective form was discovered, it grew and multiplied and adapted itself to changes in its environment and to its own changing needs.

The ideal of universal cooperation could best embody itself in forms which involved no inherent conflict of interest. Thus the plan of cooperation among producers, which was exposed to the conflict of sectional interests, lost ground before the idea of cooperation among consumers for the satisfaction of their wants. The simple device of dividend on purchases offered at once a practical way of avoiding earlier difficulties and discussions about the destination of accumulated funds, a means of eliminating profit, a method of accumulating savings for the extension of cooperative enterprise, and a sovereign plan for creating the assured market upon which further growth depended. The loyalty and community of interest thus created made possible the whole system of democratic control, directed by inspired and unselfish leadership, which makes the cooperative movement different from any other form of economic enterprise in the modern world.

We have seen how, from the germ of the Rochdale plan, a rich growth of cooperative societies has spread over the land, first in the industrial centres, thence extending into rural and residential areas, adapting its forms to each new environment. This vigorous ramification must of itself have impressed the mind of the observer; but corresponding to this outward growth and giving increasing support and sustenance to the whole, the roots of the movement have struck more deeply and spread more widely. Federal undertakings for combined services, including wholesaling, banking, manufacturing, and social, educational and propaganda activities, have been formed as they were needed, the product of those same vital forces which brought the retail societies into being. It is an arresting thought that the simple plan upon which a modest grocery store was founded nearly a hundred years ago has sufficed for the subsequent organization of the whole of this vast undertaking, and that the principles which guided the pioneers in the conduct of their business are, in essentials, the same as those which govern each unit of cooperative enterprise to-day, from the village cooperative store with a few hundred members to the great multi-plant undertakings of the two wholesale societies.

To have become aware of the dynamic character of this great enterprise, of the size and complexity of its achievement, and at

the same time of the creative simplicity of the principles on which it is founded, is the experience which the writers hope to have shared with those who read these pages. But they will have failed in their main task if they have succeeded merely in inducing complacent admiration. For they themselves are left, not merely with a sense of incalculable possibilities, but also with a feeling of doubt as to how far at the present time these possibilities are realized within the movement itself. There is in the history of every great movement such as this a danger of stagnation after a period of vigorous expansion. The strength of the original impetus may grow less if, in the very profusion of growth, consciousness of purpose is diminished or lost. Size and complexity may become dangers in themselves if there is no corresponding increase in directive energy or in the general appreciation of ends. Growth then becomes haphazard; energies are divided or dissipated in ineffective action; there is no common mind on vital issues; and uncertainty leads finally to inaction and decay. It seems necessary, therefore, at this point, to attempt some restatement of the principles of cooperation, as they have emerged in the course of this survey, and then to consider how far, in the light of present trends, the movement seems capable of realizing these principles in practice and of maintaining its progress in the future.

THE PRINCIPLES OF COOPERATIVE ENTERPRISE

One of the weaknesses of the cooperative movement in this country (Great Britain) is its failure to evolve any clear-cut theory of cooperation to set against or even to supplement other accepted principles of economic and social organization. The modern movement has not produced an authoritative literature of its own. It has thrown up no great thinkers or teachers. It is therefore inarticulate when it tries to explain itself, and either seeks refuge in an obsolete utopian phraseology or finds comfort in columns of statistics. Yet this is not for want of inspiration from the past, or due to any lack of continuity between the past and the present. The fundamental principles with which the movement began remain unchanged to-day; but they needed to be worked out in the light of practice and in relation to changing conditions. Far from there having been any attempt to do this, they have been allowed quietly to slip into the background, or to remain as a kind of religious fervour among the few. This failure to work out a new and purposive idealism, capable of influencing action and

policy, has been in no sense deliberate. It has been one of the penalties of growth. As the scale of operations grew larger, the available energies of the movement were absorbed in business activities. These came to be of importance for their own sake, and their ultimate meaning tended to be lost. The task of reviving the earlier sense of purpose and of directing it to the solution of the problems of cooperative development in the future is becoming more and more urgent.

This is not to suggest that the movement must lose itself once more in a maze of utopian theorizing; but it must become clear as to its purpose. It must lay down the principles which differentiate it from ordinary capitalist enterprise. It must decide what is to be the scope of its operations and influence, both in the economic and in the political sphere; and it must work out the principles of future expansion and the forms which will most favour the achievement of its ends. It is essential, in any attempt to give meaning to cooperation or to envisage its future place in the life of the community, to define its present character and, in the process of doing this, to lay bare the general principles which may serve as guide-posts when there are further advances to be made or obstacles to be overcome.

In the first place, cooperation is itself a complete system of economic organization, arising out of a direct interest of associated consumers in the goods and services which they require for the satisfaction of their wants. In this it is opposed to a system of organization which achieves the satisfaction of wants indirectly and only to the extent to which profits are yielded in the process. It is clear that there must be opposition of interest between the cooperative system, which aims at the elimination of profits, and a competing system of supply, the mainspring of which is the profit motive.

Cooperation differs fundamentally from the capitalist system of organization, which puts the interests of producers in the forefront. All are consumers, from the cradle to the grave, though most people, it is true, are producers also. But production misses its true purpose unless it is directed to the fullest possible satisfaction of the wants of consumers, and therefore the consumer interest should predominate. Experience shows plainly enough that, under the capitalist system, producers may, by achieving monopoly of supply, or through selling agreements, raise prices against consumers, or that they may, by the power of advertisement, deliber-

ately persuade consumers that their interests are other than they are. Thus there is a standing temptation to sectional and unjustifiable gain. The cooperative system offers a way of escape from this danger.

If this conclusion is accepted, it is possible to deduce another. Cooperation stands for the control by the general body of consumers of those economic activities which are directed to the satisfaction of their wants, and must be opposed to control by sectional interests. The starting-point of the cooperative system is the consumer and consumers' wants, not the producer and the desire for gain. As between different bodies of producers organized for gain, there is diversity of interest. Each wishes to sell as dearly as possible, whether they have goods or labour to sell, and to buy the products or services of others as cheaply as possible. It is usual to say that our interests as consumers, on the other hand, are identical. Although this is not altogether true in a society which is divided into rich and poor, it is broadly true of the large body of consumers organized in the present cooperative movement; and it would become increasingly true as cooperation succeeded in eliminating profit over a widening portion of the field. The significance of the undifferentiated consumer basis of cooperative enterprise has not been fully realized. So long as the consumers are making goods for, and selling them to, themselves, any attempt to save costs by lowering quality, or by reducing the remuneration of the main body of consumers in their capacity as wage-earners, becomes merely nonsensical. Moreover, informed consumers who undertake to satisfy their own wants cooperatively will be interested only in the commodities and services which they need, and will have no interest in artificially stimulating the demand for "goods" which do not contribute to better living. A completely cooperative system of production and distribution of consumers' goods would thus represent an enormous economy of effort, even if there were no saving of costs in the actual production of commodities.

This leads to the statement of a further essential characteristic of cooperation. Because of the economies inherent in the cooperative system it must theoretically have a continuous capacity for expansion. The economy of effort which arises from the possibility of relating production directly to wants has already been mentioned. But further than that, the larger the body of organized consumers, the greater the benefit which each derives from the

system and the greater the capital resources which can be set aside for further expansion. Between different producer interests there must be competition and wasteful friction; this leads to monopoly and the restriction of the gain to fewer people. Cooperation, on the other hand, seeks to bring in the largest possible number of consumers to share in the increasing benefit of the common enterprise. Thus if the movement were clear as to its principles and aims, and were planned and directed on right lines, it would ultimately supersede a system which operates only with recurring friction, which involves wasteful methods both of production and of consumption, and which tends to break down in periodic crises.

It is not sufficient, however, to establish the existence of an inherent tendency towards progressive expansion. Expansion itself, in the cooperative system, follows certain laws, and if these are not understood, or if obstacles are placed in the way of their operation, the tendency may be inhibited. The history of cooperation in this country indicates the way in which expansion tends to take place. The first and most obvious form may be described as "horizontal," and it operates in two main ways. In the first place, more and more consumers are brought into the movement, and its resources and influence thereby automatically increase; and in the second place, the range of commodities with which it is concerned is progressively extended, and the proportionate cooperative buying of existing members increases. These two aspects of expansion are, of course, complementary. The tendency is always to begin with commodities in daily demand by everybody; then, as numbers grow, it is possible to supply those goods which, while they are in general demand, are required at less frequent intervals; and finally, with a further increase in numbers, it is possible to meet the need for commodities and services which are more individual in their appeal and need greater variety and initiative in their production and handling. The extremes of this range are groceries, bread and milk at one end, and artistic products, dentistry, pharmacy, etc., at the other.

Another and perhaps even more significant aspect of cooperative expansion is that which may be described as "vertical." This is concerned, not with the range and volume of commodities, but with the range of intermediate activities. The attempt to provide commodities for the use of a known and increasing body of consumers leads from retail dealing to wholesale dealing, and from that to manufacture, and finally to the provision of raw materials

for manufacture. Here also there are certain well-marked lines of progress, from the manufacture of standardized commodities in general and day-to-day use, to the production of commodities which involve greater difficulty and variety of provision and less continuous demand. Production direct from the soil is difficult to place, since it is concerned both with foodstuffs and with the raw materials of manufacture. It appears early in time, but it has not yet gone very far in relation to the total need. The problem of the cooperative organization of farming and other "extractive" industries is one which has still to be solved by the movement, in spite of some promising experiments which have already been made, such as the agreements which exist between certain retail societies and neighbouring farmers and small-holders.

The next task is to discover how far these principles and tendencies are operating in the movement to-day, and what promise there is for the future.

PRESENT TRENDS AND FUTURE POSSIBILITIES

It is difficult to avoid the conclusion that the growth of cooperative enterprise has been accompanied by some blurring of the features which distinguish it from competitive private enterprise. As stores or branches have been established in areas where spontaneous cooperation is non-existent or weak, and as existing societies have outgrown their keen nucleus of cooperative enthusiasts, they have tended to become more and more like any other big business and to adopt the same criteria of success. This tendency away from the original cooperative character has been accentuated by the need, with increase in size, for placing more and more control and direction in the hands of permanent business officials, although this is, of course, partly a result as well as a cause. The essential antithesis between a closed cooperative system which produces goods and services for, and distributes them to, its own membership, under their ultimate direction and control, and a system which separates the producer from the consumer and produces only in response to the stimulus of profit, tends to be lost. The surplus which arises at different stages in cooperative production and distribution, and is distributed in the form of dividend, should be incidental to the whole plan. Instead of that, it is tending to become an *object* of cooperative trading, as it is in private enterprise, with the added danger that, given an assured membership, it may be artificially created through higher prices, instead of arising a

genuine surplus. This represents a perversion of cooperative principles.

But this "profit-mindedness" goes further. Often enough, when the cooperative movement should be actively opposing private vested interests, it appears to be sharing advantages with them, even to the extent of making terms with monopoly and accepting a position of economic dependence. If cooperation is to survive as a distinctive movement, the essential opposition between the cooperative system and the system of production for profit must be made clear, both to the officials and to the membership, and the movement as a whole must be prepared for a long and perhaps bitter struggle against restrictive and monopolistic tendencies which are manifesting themselves within the capitalist system. No great movement ever succeeded in the long run by taking the line of least resistance. But if the cooperative movement is to be guided, not by considerations of expediency but by definite principles which are proper to itself, these must be made clear to its members, who must become increasingly aware of the issues which they as a body are called upon to face. How far is the present disposition of the movement such as to make this task a possible one? This leads to a consideration of the extent to which another of the great principles of cooperation, that of democratic consumers' control, finds its expression in present practice.

We have found reason to question the ordinary, popular conception of democratic control, the notion that all or at least a considerable majority of the members of a movement which claims to be democratically governed must be actively participating in the management of its various activities. We have seen that it is sufficient if a representative section of the membership are aware of the issues to be decided and are prepared to be vocal in criticism and active in service, so long as those who are actually charged with the tasks of administration and control are sensitive to the will of the general body of members. Much of the criticism levelled at the movement on the ground that a large proportion of the members are merely passive and take no share in its deliberations or activities thus falls to the ground. But even with this reinterpretation of the requirements of democracy, there is reason to believe that the present trend of the cooperative movement is away from its original democratic character, and that there may be a corresponding decline of sensitiveness on the part of the leaders to the needs of the general body of consumers. The number of active

and informed members is too small in view of the growth in total numbers and in the range of activities. Many of the new regional societies with widely extended areas seem to have preserved little of the original spirit of the movement, except among the comparatively few members who are in touch with the administrative centre; and there is some danger also that the recent development of branches controlled directly by the wholesales, however necessary it may be for other reasons, may further weaken the democratic character of the movement, unless some new democratic machinery can be added to that which depends upon local autonomy.

Here again, the future of cooperation as a distinctive system of economic organization is threatened by a departure from fundamental principles. The weakening of democratic control affects the quality of the leadership; the sense of direction is lost; and the way is opened to control by powerfully organized sectional interests within the movement. There is no reason to believe that the qualities upon which democratic institutions in this country were built are less prevalent than they were; or that they are present in greater profusion in the older centres of cooperation than in the newer; or that they are the monopoly of any class or age-group. If they are less in evidence in the cooperative movement as a whole than they were, the fault lies in the failure to adjust organization to the increased size and complexity of the movement, and in the failure to keep pace, in education and propaganda, with the needs of a rapidly growing membership. These are defects which can and must be remedied if the future of cooperation is to be made secure.

. . . We have seen that there is, in the cooperative system, an innate tendency to expand. Continuous expansion is, in fact, a test of the extent to which cooperative trading principles are being efficiently applied. There is no doubt that, during the greater part of the history of the movement, expansion has, in fact, been taking place rapidly; but it is possible at present to exaggerate its extent. Cooperative trading may increase absolutely while its relative position remains the same. Expansion relative to other forms of trading means an increase which is more than proportionate to the growth in population and to the rise in standards of living. If this and the increase in prices are taken into consideration, the growth in cooperative retail trade in recent years is less spectacular than it appears at first sight. However this may be, we are certainly justified in concluding that its full capacity for expansion has not been

realized. And since, as has been shown in previous chapters, the cooperative system possesses undoubted *economic* advantages over rival methods, the fault must lie once more in failure to understand the principles underlying the system, and in defects of organization and propaganda. Development of the whole system must be purposive, not merely opportunist. An effective increase in cooperative membership, and in the cooperative trading of members, cannot be secured by the ordinary methods of business advertising, even if these were more effectively used than they are. It can only be achieved by spreading a knowledge of cooperative principles and aims, and by a logical development of the capacity of the movement to satisfy, in the most efficient manner possible, and to an increasing extent by means of its own resources, more and more of the wants of a growing body of members.

So far, cooperation has appealed mainly to the superior section of the working-class. It has made less appeal to the poorer sections of the community, and not very much to the main body of middle-class consumers. If the movement is to preserve its sense of social purpose, it must adapt itself particularly to the needs of the former. It is obviously vitally concerned in the problem of poverty among large numbers of consumers, and in that sense, as well as in its opposition to profits, it links on to the Labour Movement as a whole. It could do much to arouse to social consciousness large numbers of those who, through stress of circumstance, are incapable of helping themselves and remain a drag on social progress. How far the movement can, at the same time, appeal to the upper levels of middle-class demand, without losing its democratic, working-class character, is a matter for consideration. In so far as the attempt to meet that demand induces a general levelling-up in the quality and taste of cooperative supply, for the benefit of the members as a whole, it will be all to the good. But any such attempt must be directed by considered policy, not merely by the desire to capture a lucrative trade, perhaps at the expense of the essential aims of cooperative effort.

Various difficulties have emerged in this survey of present trends in the light of the principles of cooperation. The time has now come to consider these difficulties more specifically, and the means by which they may be overcome.

OBSTACLES TO THE REALIZATION OF COOPERATIVE AIMS

The position which we have now reached is that, inherently, there is nothing to prevent the expansion of cooperative enterprise

until it embraces a wide range of activities leading to the satisfaction of the primary wants of all consumers, including not merely the distribution of a great variety of commodities and services, but also the intermediate activities, from the extraction of the raw materials to the final stage of consumption. A complete system of cooperation would be large enough also to produce its own capital goods—machinery, buildings, transport vehicles and the like—upon which the output of consumption goods depends. Cooperative retail trading would then become only the final stage of a great, self-contained system of direct production for the satisfaction of the known wants of consumers. Not only is there no reason why this should not happen; actually, the inherent superiority of the cooperative system, which has been clearly demonstrated in this book, should make it inevitable. Yet there is no evidence of a realization of these possibilities; there is an apparent falling off in the sense of social purpose in the movement as a whole; and the movement has also lagged far behind in the task of making itself independent of private production and in new enterprise generally. There are obviously certain hindrances which are obstructing the tendency to expansion. These fall into two main categories: those which are internal to the movement itself, and those which are external to it. The former may be considered first.

(a) Defects of Organization.—In the early days of the movement, and down to recent times, cooperative organization led the way in distributive efficiency. Success came with the realization of the possibilities of effective local organization, based on the compact urban community. When towns became the centres of regions, these nuclei spread outward, and the result is now an irregular pattern of autonomous societies, sometimes overlapping, sometimes leaving gaps. The intense community feeling for which the earlier forms provided an effective channel is weakened, and little attempt has been made to create that wider cooperative consciousness which is needed in the new situation, or to devise new channels for its expression. Meanwhile, these narrow local divisions are rapidly breaking down; the most successful capitalist enterprises to-day are conceived and organized on a national basis under single national control. The problem of the cooperative movement now is to secure the same unified direction, without destroying its democratic character or losing anything of its distinctive features.

This is important from the standpoint of technical efficiency, especially in view of the growth of cooperative production on a

national basis. But effective technical direction is not the only thing. Broad lines of policy become more important as the movement increases in size and becomes conscious of wider social aims. The present organization actually now prevents the growth of a more effective democracy, capable at least of shaping policy and of laying down the main lines of advance. A movement which consists of a large number of completely autonomous units; subject to no unifying authority, bound to no common policy even as trading units, their only opportunity of discussing authoritatively those matters which affect the general interests an annual Congress with an overweighted programme, cannot effectively work out a common will or apply that common will to the prosecution of its aims. The Cooperative Union, focusing certain of the activities which are common to all of the societies, might, by propaganda methods, do more than it does to unify cooperative sentiment and to encourage the development of common purposes throughout the movement. It cannot, however, be really effective with its present organization, and it has no power to impose its authority on the individual societies. The C.W.S. Board is equally unable to give the necessary lead since it also is without authority in relation to the societies, and the S.C.W.S. is in the same position. The absence of any central directive authority is an undoubted source of weakness.

The absence of unity and of a common policy is shown by the fact that, in 1936, out of 1,777 societies included in the Cooperative Union, only 526 were members of the International Cooperative Alliance, 671 only were associated as shareholders in the Cooperative Press, only 144 were participating in the collective advertising scheme, and 489 only were affiliated to the Cooperative Party.² It might be added that there is no such thing as a national cooperative membership, and that the member of one society buys from another society as a stranger.

The urgent need to-day is for the creation of a unified central authority for the cooperative movement as a whole, answerable to a united cooperative democracy, capable at once of providing for the effective control of the whole system, and of mobilizing opinion and representing the cooperative movement to the outside world. Although this is not the place to work out the details, it is not impossible to conceive of an elected cooperative parliament, which would meet often enough and with sufficiently long sessions

² Mr. George Riddle, Presidential Address, Cooperative Congress, 1936.

to deal adequately with large questions of policy, electing in its turn a "cabinet" which would be the central executive authority of the movement. The local societies would preserve their autonomy in local matters, but would have to be subject in all matters affecting the common interest to the central authority which they themselves helped to elect. Elections would have to be so planned as not to place the control in the hands of a few large societies. The cooperative parliament, if it was to be effective as the directing authority, would have to be given definite powers and a large measure of control over central finance. A body of this kind, representing and controlling an expanding cooperative economic system, would become one of the most powerful influences in the state, capable of directing economic policy so as to ensure the widest distribution of those benefits which modern civilization and the modern technique of production should enable all to enjoy.

There is, however, another limitation which, even more than imperfect organization, is likely to impose a check on the further growth of cooperation, and is indeed one of the most serious obstacles in the way of all democratic progress.

(b) Defects of Leadership.—It is not intended here to level criticism against those who have been charged with the difficult task of directing cooperative enterprise, whether nationally or locally. They are the product of the movement and have had to work within the limitations imposed by the existing structure. Through defects of recruitment, too much has been imposed upon too few people. The movement has never attached sufficient importance to the use of trained ability on a scale commensurate with the size and complexity of its operations. Moreover, opportunities of leadership are not easily found in an organization so lacking in homogeneity and in central direction. Improvements in organization would undoubtedly make the existing leadership more effective.

Nevertheless, the problem of personnel is urgent. The possibilities of growth in any system are limited by the amount of ability at its disposal. The present trend of capitalist enterprise is to lay great stress upon high technical ability at the top and to reduce labour at the bottom to a routine. It is against the traditions and sentiments of the cooperative movement both to offer high monetary rewards to scarce abilities and to accept the regimentation of labour which advanced technical knowledge makes possible. Its choice of leaders tends to be limited to those people who have

the necessary abilities and are, at the same time, so imbued with the spirit of service that they are willing to sacrifice greater gain in the monetary sense in order to serve a cause. The supply of people of this kind is at present seriously limited; and the buying up and monopolizing of scarce abilities by capitalist enterprise may become a grave menace to the future progress of cooperation. Moreover, the urge to serve the cause of cooperation is not helped by the failure to make its aims clear.

The remedy for the shortage of the higher grades of ability lies obviously in the direction of making them less scarce. The cooperative movement has a direct interest in increasing the state provision of education, so that opportunities of higher education might be open to all. So far, it has failed even to use the trained ability which is made available for it by the present educational system. Even the advantages of secondary education have not been realized; and recruitment from the Universities is almost unknown. The sons and daughters of working-men who go to the Universities, and the growing number of adult working men and women who are now given the same opportunity of University training, can find no outlet for their abilities in the service of cooperation. Is it not time that the cooperative movement opened its eyes to what the rest of the world is doing?

But the movement must also develop its own educational system with a breadth of vision which has been lacking in the past. Instead of paying exorbitantly in order to gain or retain an inadequate share of scarce abilities of leadership (and there are signs of the adoption of that policy in some of the larger societies), it should use its funds more widely to make these abilities less scarce in relation to its own peculiar needs. The cooperative movement has in this a function to perform which cannot at present be taken over by the state: it has to educate a new type of individual with a new conception of service. His training must be related to the aims of cooperation in the widest sense. He needs much more than mere technical ability: he must be constantly aware of the ends which cooperation exists to serve and of the means by which they may be achieved. This need for the training of "political" as distinct from purely technical abilities is not, of course, confined to the full-time personnel of the movement. It applies also to those who are giving voluntary service to cooperation. We cannot too strongly urge the need for raising cooperative education to a much

higher level, if the quality of service and leadership is to be equal to the claims imposed upon it.

(c) Defects of Education and Propaganda.—One aspect of the need for a developed system of cooperative education has been referred to in the previous section. There is a more important aspect still. The need for a clear perception of aims has become urgent in view of the changed character of the movement and the necessity for re-creating in its members a sense of unity and purpose on a national or even an international basis, as opposed to the local group-consciousness of the early days. It was easy to perceive the significance of cooperative effort when it was limited to comparatively small groups already united by common bonds of locality and employment. The need for loyalty to the local store was easily understood. With the growth in size and the multiplication of branches, cooperative shops now appear to a great majority of the large body of members as convenient shopping places, not as part of a movement in which they are vitally concerned. Yet, as we have seen, a high degree of cooperative loyalty is a necessary condition of future advance, and it becomes more difficult to ensure this as rival methods of trading and propaganda become more efficient. For the cooperative movement merely to imitate capitalist methods of advertising would be to sacrifice one of its greatest economies; and it would not make cooperators in any real sense. The propaganda of ideas is more important for the future of cooperation than the propaganda of trade goods. Given a wide appreciation of the benefits and aims of cooperation, together with a high level of efficiency in production, and cooperative goods will sell themselves. The education of members as cooperative consumers will not only unite them into a conscious national body, but will also make possible a rationalization of the whole cooperative system; and to educate them in the ideals of the movement will bind the whole membership into an effective force for the realization of cooperative aims.

To create a worthy cooperative service of education and propaganda is thus one of the essential needs of the movement at the present time. It is as necessary to the cooperative commonwealth as it is to the political state. The task needs vision and high intellectual endeavour. It needs men who are capable of creative thought; it needs those who can teach and write and inspire; it needs a centre of inspiration and research equal in quality to the post-graduate schools of Universities, but moved by the spirit which actu-

ated Owen and the early pioneers. This task of education and propaganda cannot be left to local initiative, although local initiative should be used whenever possible. It is worthy of the best energies and abilities which the movement as a whole can devote to it.

(d) External Hindrances.—As the movement becomes more purposive and more conscious of itself, the essential conflict between the cooperative system of economic organization and its rivals will become more apparent. It is not intended to suggest that there can be no compromise with any other form of economic organization. The possibility of mapping out the ground as between municipal and state enterprise and the cooperative system must be clearly envisaged; and there are certain forms of capitalist enterprise which are coming more and more to be organized as public utilities, and in which the profit motive is less and less in evidence. But cooperation, by its very nature, finds itself in conflict with the most aggressive and most strongly entrenched forces of private enterprise—those which depend for their existence upon exploitation of the consumer. In so far as cooperation aims at the rationalization of consumption and the abolition of private profit in the satisfaction of consumers' wants, it cuts the ground from under the feet of powerful vested interests. However much the movement may desire to live at peace with the rest of the economic world, it will not be allowed to do so, unless it is prepared to accept definite limits to its activities. Attempts will be made, as they have already been made, to use the power of the state and of the press to check the further growth of the movement. Cooperation must be prepared to meet the challenge.

There will be wide differences of opinion as to the way in which this challenge should be met. Because the rival interests had the ear of Parliament, and the interests of cooperation seemed to be threatened by Government action, the movement decided to enter the political arena. It was felt that the existing Labour Party, which seemed the natural ally of the cooperative movement against the opposing capitalist interests, did not express the cooperative view of the economic system, and it was decided, therefore, to form a separate political party. But since there was no clear understanding of objectives, and since the politically conscious members of the movement were already engaged in the Labour interest, and others were opposed to any possible form of political activity, the result was to confuse the issue. Cooperation

can only become an effective political force when it has made up its mind as to what it wants; and it can only act if it can carry its membership with it.

It would be a mistake, in any case, to suppose that the future of cooperation could be secured merely by changing the complexion of the *House of Commons*. The only way ultimately to overcome the opposing interests is the way of greater efficiency; and in achieving that, the movement will acquire political power. There is also the possibility of dividing the opposing forces. Cooperation need not, and indeed cannot, aim at eliminating every kind of private enterprise. It can, for a long time to come, work amicably with those undertakings in which professional excellence and public service are more important than soaring profits. Its vast resources, inadequately used as we have seen, would enable it at least to share in the control of such enterprises. Moreover, many of the smaller entrepreneurs like farmers and other specialist producers, are threatened equally with cooperation by the growth of monopoly interests and they would be better off working for an enlarged consumers' cooperative movement. Examples of this are already to be found in the production of fruit and vegetables and, at the other extreme, wireless sets, for cooperative consumption.

The greatest danger at the present time arises from the tendency to state intervention on the side of large producer interests. The extension of cooperation depends upon its ability to conquer more and more of the territory at present occupied by private enterprise. The present policy of Marketing Boards and quota systems, supported by protective tariffs, aims at a delimitation of territories and must lead to a "walling-in" of the cooperative movement. Capitalism has entered upon a new, restrictive phase, in which the attempt is made to prevent the establishment of new competitive businesses and to limit the expansion of existing concerns at the expense of their competitors. If this policy were allowed to establish itself securely, the way to cooperative expansion would be closed. The cooperative movement would be forced to enter one capitalist ring after another, and to accept quotas based upon existing outputs, thereby forgoing the right to expand except in the same ratio as its capitalist rivals. If that position were reached, the cooperative movement would have been effectively absorbed into the capitalist system. The movement must mobilize its forces in opposition to this growing policy of restriction. It must do this in its own interest; for so long as these restrictions remain and are

fostered by the state, the future progress of cooperation is jeopardized. It must also attack this policy in the interest of the general body of consumers; for cooperation stands to-day as the only potential political force for the protection of consumer interests.

There is another important reason for opposition to the policy of restriction. The realization of the aims of cooperation in the future depends on the freest possible movement of commodities across national boundaries. The growth of cooperation in other countries and the system of exchange between the British wholesales and similar organizations abroad, provide the basis for a rational system of international trade, free from the dangers which arise when trading is regarded as mutual exploitation and is made to serve the interests of rival imperialisms. Everything that has been said about cooperation nationally applies equally to cooperation internationally. Certain vested private interests stand to lose by freer international trading relations, which are nevertheless advantageous to the community as a whole. Cooperation can only gain by expansion, both nationally and internationally. If the movement could make this position clear, it might increase its own political influence enormously and at the same time serve as one of the most powerful factors in the cause of international peace and understanding.

There is no doubt that political influences represent an obstacle to the realization of cooperative aims which must be overcome. We have already expressed doubts as to whether the attempt to form a separate political party, before there was any agreed co-operative policy accepted by a united membership, was the right way of meeting this difficulty. The alternative, when political action was necessary, was to work with one or more of the existing political parties, and that, in practice, meant working with the Labour Party. Whether there can be any permanent political alliance between cooperation and labour will depend on the future trend of labour policy. It has already been suggested that the co-operative movement must be opposed in principle to every form of economic control or political organization based upon sectional producer interests, whether on the side of capital or on the side of labour. The form of socialism which is based upon the principle of workers' control is just as much opposed to the cooperative ideal of society as is the existing system of capitalist control. This has not yet been clearly understood. The conflict of ideals within the labour movement must, in the interests of clear thinking, be made

conscious. In theory, the opposing views cannot be reconciled. But it may be possible, in a practical and imperfect world, to secure some balance between them.

CONCLUSION

This book stops short of prophecy. It has been considered sufficient to trace the processes of growth; to describe the form and character of cooperative enterprise and the principles on which it is based, both in its economic and in its social and political aspects; and to discuss present trends and the obstacles in the way of future expansion. In the process of doing this, certain weaknesses have been exposed; but no one could conclude this study without realizing the enormous possibilities which have also been revealed. It is for others, inspired, it is hoped, by the results of this investigation, to work out in practice what the future of the cooperative movement is to be—either a reasonably efficient large-scale business aggregation, or a new system of economic organization gradually replacing the old. In the first aspect, it has to compete with other efficient national enterprises in its own field; in the second, with other plans for social reorganization. From either point of view it must know how it stands, and the conditions of success must be made clear.

THE MIDDLE WAY BETWEEN LAISSEZ-FAIRE AND RIGID CONTROL

There is this to be said, finally, for the wider possibilities of co-operation: it is the only alternative scheme of economic organization actually in existence in this country, and the only attempt at general economic planning on a large scale. It has achieved its present scope and dimensions without sacrificing anything of the principle of voluntarism. It may, therefore, be regarded as the possible middle way between *laissez-faire* liberalism and rigid planning on a compulsory basis, and in this aspect it has a strong claim to the allegiance of all those who believe that some form of economic planning is necessary, in the interests of order and justice, but who dislike the element of coercion in other systems which are offered for their approval.

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Part Two

THE PRODUCERS' COOPERATIVE MOVEMENT

CHAPTER VII

HISTORY AND DEVELOPMENT OF PRODUCERS' COOPERATION

THE PHALANSTERY¹

THE announcement does, I acknowledge, sound very improbable, of a method for combining three hundred families unequal in fortune, and rewarding each person,—man, woman, child—according to the three properties, *capital, labour, talent*.

. . . It is necessary for a company of 1,500 to 1,600 persons to have a stretch of land comprising a good square league, say a surface of six million square *toises* (do not let us forget that a third of that would suffice for the simple mode).

The land should be provided with a fine stream of water; it should be intersected by hills, and adapted to varied cultivation; it should be contiguous to a forest, and not far removed from a large city, but sufficiently so to escape intruders. . . .

A company will be collected consisting of from 1,500 to 1,600 persons of graduated degrees of fortune, age, character, of theoretical and practical knowledge; care will be taken to secure the greatest amount of variety possible, for the greater the number of variations either in the passions or the faculties of the members, the easier will it be to make them harmonise in a short space of time.

In this district devoted to experiment, there ought to be combined every species of practicable cultivation, including that in conservatories and hot-houses; in addition, there ought to be at least three accessory factories, to be used in winter and on rainy days; furthermore, various practical branches of science and the arts, independent of the schools. . . .

As for the selection to be made among the candidates, rich and

¹ Quoted, with permission, from *Selections from the Works of Fourier*, Julia Franklin, translator, Swan, Sonnenschein & Co., Ltd., London, 1901, pages 137-154.

poor, various qualities which are accounted vicious or useless in civilisation should be looked for; such are:

A good ear for music.
 Good manners of families.
 Aptitude for the fine arts.

And various rules which are contrary to philosophic ideas should be followed.

To prefer families having few children.
 To have one-third of the organisation consist of celibates.
 To seek characters regarded as peculiar.
 To establish a graduated scale respecting age, fortune, knowledge.

In view of the necessity of uniform education and fusion of the classes among children, I have advised, what I now reiterate, the selection, for the experimental Phalanx, of well-bred families, particularly in the lower class, since it will be necessary to have that class mingle in labour with the rich, and to make the latter find a charm in this amalgamation. That charm will be greatly dependent upon the good breeding of the inferiors; that is why the people in the environs of Paris, Blois, and Tours will be very suitable for the trial, provided, of course, that a proper selection is made.—(N. M., 104, 178.)

Let us proceed with the details of composition.

At least seven-eighths of the members ought to be cultivators and manufacturers; the remainder will consist of capitalists, scholars, and artists.

The Phalanx would be badly graded and difficult to balance, if among its capitalists there were several having 100,000 francs, several 50,000 francs, without intermediate fortunes. In such a case it would be necessary to seek to procure intermediate fortunes of 60,000, 70,000, 80,000, 90,000 francs. The Phalanx best graduated in every respect raises social harmony and profits to the highest degree.—(U. U., iii., 431.)

. . . The edifice occupied by a Phalanx does not in any way resemble our constructions, whether of the city or country; and none of our buildings could be used to establish a large Harmony of 1,600 persons,—not even a great palace like Versailles, nor a great monastery like the Escorial. If, for the purposes of experiment, only an inconsiderable Harmony of 200 or 300 members, or

a *hongrée* of 400 members is organised, a monastery or a palace (Meudon) could be used for it.

The lodgings, plantations, and stables of a Society conducted on the plan of Series of groups, must differ vastly from our villages and country towns, which are intended for families having no social connection, and which act in a perverse manner; in place of that class of little houses which rival each other in filth and ungainliness in our little towns, a Phalanx constructs an edifice for itself which is as regular as the ground permits: here is a sketch of distribution for a location favourable to development.

The central part of the palace or Phalanstery ought to be appropriated to peaceful uses, and contain the dining-halls, halls for finance, libraries, study, etc. In this central portion are located the place of worship, the *tour d'ordre*, the telegraph, the post-office boxes, the chimes for ceremonials, the observatory, the winter court adorned with resinous plants, and situated in the rear of the parade-court.

One of the wings ought to combine all the noisy workshops, such as the carpenter-shop, the forge, all hammer-work; it ought to contain also all the industrial gatherings of children, who are generally very noisy in industry and even in music. This combination will obviate a great annoyance of our civilised cities, where we find some man working with a hammer in every street, some dealer in iron or tyro on the clarionet, who shatter the tympanum of fifty families in the vicinity.

The other wing ought to contain the caravansary with its ball-rooms and its halls appropriated to intercourse with outsiders, so that these may not encumber the central portion of the palace and embarrass the domestic relations of the Phalanx.—(U. U., iii., 447, 455.)

The Phalanstery, or edifice of the experimental Phalanx, ought to be constructed of inexpensive material,—wood, brick, etc., because, I repeat, it would be impossible in that first attempt to determine precisely the dimensions suitable either for each individual *Seristery*, the portion designed for the public relations of the series, or for the various workshops, storerooms, stables, etc.

. . . Those who have seen the gallery of the Louvre, or *Musée de Paris*, may consider it as a model of the galleried street of Harmony—which will likewise have a floor and be placed in the second story—save the difference in the openings and in height.

The dove-tail method of progression (before spoken of) should be adopted; by means of which a man or woman residing in the centre, or ostentatious quarter, may be inferior in fortune to one who occupies a dwelling in the wings, since the best apartments in the wings, renting for six hundred and fifty francs, are more desirable than the poorest in the centre, renting for five hundred. This dove-tailing of values in progressive dwellings provides relief to the extreme series of the wings or winglets, and prevents the distinctions of the simple scale, which would in many instances be offensive to one's self-esteem. Too much care cannot be taken to avoid this evil, which would constitute a germ of discord.—(U. U., iii., 463-469.)

Each agricultural Phalanx forms seven classes in distributing its eatables; they are:

1st. The heads,	about 50 individuals.	} 1500
2nd. The sick and patriarchs,	. . . . .	" 50 "
3rd. The first class,	. . . . .	" 100 "
4th. The second class,	. . . . .	" 300 "
5th. The third class,	. . . . .	" 900 "
6th. The children from 2 to 4½,	. . . . .	" 100 "
7th. The caravansary,	unlimited number.		

K. A lot of animals consuming the coarse eatables and the refuse.—(U. U., iii., 48.)

The consequence is that the dishes of the third class, consisting of the lowest stratum of people, will surpass in delicacy those which at present constitute the delight of our gastronomes. As to the variety of food which will be found upon the tables of the people, it cannot be estimated at less than thirty or forty dishes, renewed by thirds every day, along with a dozen different drinks, varied at each meal. [The father of a family on reading this sketch will say: "I take pleasure in dining with my wife and my children, and, come what may, I shall maintain this habit which pleases me." That is a very poor judgment: it pleases him now, in default of anything better, but after he shall have seen the customs of Harmony for two days, and been allured by the intrigues and cabals of the Series, he will wish to dine with his cabalistic committees, and will send his wife and children to the flock, while they on their side will ask for nothing better than to be freed from the dismal family dinner.—(U. U., iii., 447.)]—(Q. M., 246.)

. . . One is dazzled by lingering a few moments over a picture

of the enormous benefits which would be derived from the union of 300 households, in a single edifice, where they would find apartments at various prices, covered ways from part to part, tables of different classes, varied kinds of occupation—in short, everything that tends to shorten and facilitate labour and to render it attractive.

Let us enter into the details. I shall examine first the advantages of the associative loft and cellar.

The 300 lofts which are to-day used by 300 families of villagers (1500, 1600 individuals) would be replaced by an extensive and salubrious storehouse divided into special compartments for each commodity, and even for every variety of the different species. One could there secure all the advantages of ventilation, dryness, heating, exposure, etc., things which a villager cannot think of doing; for it frequently happens that his entire hamlet is poorly conditioned for the preservation of commodities. A Phalanx, on the contrary, selects a favourable locality, both as regards the whole and the details, such as the cellars, lofts, etc.

The outlay for this extensive storehouse in building, walls, timber-work, roofing, doors, pulleys, fire-inspection, guarantees against insects, etc., would amount to scarcely a tenth of that involved in the villagers' 300 lofts, which are limited to one floor, while three could be put under one roof. The associative storehouse would use only ten doors and fastenings, while our villagers use 300 doors; and likewise of everything else.

It is, above all, in the precautions against fire, epizootics, and damage, that the gain would be immense. Any measure for general security is impracticable among 300 civilised families, some of them too poor, others unskilled or malicious. Accordingly we see, every year, the imprudence of a single household cause the conflagration of a whole village, the contagious infections of all the cattle of the neighbourhood.

. . . Combined administration gives rise to a multitude of economies as to doings which we consider productive; for example, three hundred families of an agricultural village send to the markets, not once, but twenty times in the course of a year. The peasant delights in loitering about in the market-places and taverns; though he have nothing but a bushel of beans, he spends an entire day in the city. And for the three hundred families, this constitutes an average loss of 6,000 days of labour, not including the cost of transportation, which is twenty times greater than in Association,

which sells all its commodities in large quantities, since, in that order, purchases are made only for Phalanxes numbering about 1,500 individuals.

While economising in the complication of sales—the abuse of sending three hundred persons to the markets instead of one, conducting three hundred negotiations instead of one,—economy is at the same time effected in the complication of labour. If a canton sells 3,000 quintals of wheat to three other cantons, the work of grinding and baking will not extend to nine hundred householders, but only to three. Thus, after saving 99 per cent. in distributive labour in the sales, this saving will be repeated in the labour and management of the consumer. There will, therefore, be a double saving of 99 per cent.: and how many more of a similar kind will occur!

Let us observe, in this connection, that associative economy is almost always of a composite order; like that which to the saving of expense to the vendor adds, by way of counter-stroke, the saving of expense to the consumer.

Let us pass from grains to liquids. The three hundred village households have three hundred cellars and vat-chambers, attended to with equal lack of knowledge and of skill. The damage in the cellars is even greater than in the lofts, the handling of liquids being a much more delicate and risky matter than that of solids.

A Phalanx, whether for its wines, its oils, or its dairy products, will have but a single repository.

As for casking, about thirty large casks would suffice, instead of the thousand small ones used by the three hundred civilised families. There would, therefore, be, besides the saving of nine-tenths upon the building, a saving of nineteen-twentieths upon casking, a thing very costly and doubly ruinous to our cultivators: frequently, with a great outlay, they cannot maintain the vessels in their cellars in a salubrious condition, and expose the liquid to corruption, by a thousand errors which the associative management would avoid.

Wine-making is, of all the branches of agricultural industry, that in which the civilised are the most deficient. It is impossible for peasants, and even for good land-owners, to give wine the proper care.

. . . None of those mishaps which paralyse civilised agriculture will be found to occur among the Harmonians. Moreover, the reaping is done in a graduated way; and when the mingling of

what is green, ripe, and over-ripe is avoided, much less chance is given to the germs of corruption; a Phalanx avoids them in every instance, by appropriating special and enthusiastic groups to each kind of labour; by that means they escape the enormous waste of which our statisticians forget to take account.

There is nothing in which economy is recognised as more urgently needed than in fuel; this economy assumes vast proportions in the associative state; a Phalanx has only five kitchens in place of three hundred; namely:

- The administrative, or extra;
- The first, second, and third classes.
- The provision for animals.

The whole can be supplied by three great fires, which, compared to the 300 fires of a village, brings the economy in fuel to nine-tenths.

It will be no less enormous in shop fires: it will be seen in the treatise upon the passionate Series, that their groups, whether in their relations in domestic or in manufacturing industry, their relations in pleasure, balls, etc., always operate in large companies and in connecting halls or *Seristeries*, furnished with steam-stoves which it is necessary to heat only three hours for the twenty-four. Individual fires are very rare, except in the coldest part of winter, each one as a rule seldom returning to his quarters before the hour of retiring, when he contents himself with a little brasier while undressing.

Moreover, the cold is not felt in the interior of the Phalanstery; every portion of the main buildings is provided with covered galleries, by means of which one can communicate with all parts, sheltered from the inclemencies of the weather. People can go to the workshops, the dining-halls, to balls and assemblies without needing furs or boots, without exposing themselves to colds or inflammations. The closed communication extends even from the Phalanstery to the stables, by underground gravelled passages or by galleries supported upon columns at the level of the second floor.

I have just passed in review some of the associative savings: a successive examination of these shows them to amount always to three-fourths or nine-tenths, and frequently to ninety-nine hundredths.

. . . Let us define some kind of labour to be dispensed with, or

negative gain of Association: there is one that assumes vast proportions, and that is, the precautions against theft.

The danger of theft obliges three hundred families of a village, or at least the hundred in easiest circumstances, to make an unproductive outlay in enclosure—walls, barricades, fastenings, landmarks, dogs, ditches, day and night watchmen, and other means of defence against thieves. These useless and expensive devices will be done away with in Association, which possesses the property of preventing larceny, and dispensing with all precautions against danger. We shall see this farther on.

Under associative conditions, it would be impossible for the thief to reap any profit from the thing stolen, excepting in the case of money;—but a people who live in ease and are imbued with sentiments of honour do not even conceive any projects for stealing. It will be shown that children, so essentially robbers of fruit, would not, in the associative state, take an apple off a tree.

THE CONSERVATIVE WORKSHOP AS ULTIMATE IDEAL

THE LABOUR ASSOCIATION: ITS PRINCIPLES, OBJECTS, AND METHODS²

This Association, which has taken as its sub-title “The Promotion of Cooperative Production based on the Co-partnership of the Worker,” is the result of a meeting at Derby, held during the 1884 Congress, numerously attended by the delegates present, both from distributive and productive societies. It seeks to build up a body of active adherents, held together by a definite set of practical conceptions, and working for an end—the noblest of all ends to those who have faith in the development of humanity—namely, to substitute in the busy world of industry, united concert for antagonistic conflict; and thus to make the ever-growing command over the powers of nature attained by man as conducive as they may be made to the well-being of the toiling masses; instead of leaving the wealth thus produced, as it is now left, to be divided by a scramble, where, in the words though not in the spirit of the gospel, to those who have much more is continually given, while

² Quoted, with permission, from *The Labour Co-Partnership Association*, by E. Vansittart Neale, published by the Association, London, 3rd edition, 1913, pages 6-15.

from those who have little what they have is in constant danger of being taken away. For aid in promoting this system the Association appeals—

1. To the body generally known as cooperators;
2. To the great bodies of workers associated in trade unions;
3. To the general public.

I propose to explain here shortly on what ground it makes these appeals.

1. The attitude taken by the mass of nominal cooperators at the present time towards productive work is utterly unlike that originally taken by the justly celebrated Pioneers of Rochdale from whom the movement began. In the programme put forth by them at the commencement of their work, they held out as its ultimate and real object the formation of home colonies, where the workers, sustained by the fruits of their own labour, might be able, by wisely organised institutions, to secure to themselves and their belongings every advantage—educational, intellectual, moral, and social—which this work, aided by all the labour-saving marvels of modern industry, could attain. The trade that they set on foot for the supply of their immediate needs was to them only a means of gradually accumulating the funds required for this ultimate object, through the savings on their own consumption made possible by buying wholesale, selling to themselves at ordinary retail prices, and after paying all expenses, saving up the difference.

The remarkable results that, in a period less than half a century, have grown out of the seed thus sown, are a testimony to the foresight of these poor weavers in regard to the resources that the working population might place at their own disposal by this simple process of selling to themselves. We are satisfied that they were not less wise in regard to their ultimate object. The experience of all nations which have risen above the primitive state of savagery, shows that the primary condition of this rise is the accumulation of the results of past to increase the effectiveness of present labour. Actual life owes its richness everywhere to the deposits left by past life—to what, in the language of modern political economy, is called Capital.

The deep source of our social evils I consider to be that the process of accumulation—the utilising the results of past labour—instead of being systematically carried on by reasonable concert for

the common good of the whole body of workers, has been left to be effected by the natural instincts of that struggle, where—

*“They may get who have the power,
And they may keep who can.”*

How are we to pass out of this state? The experience already gained has pointed out the way. The mass of mankind will not accumulate capital for themselves, but they will allow it to be accumulated for them—and applied so as to assure collectively the benefits which they are too feeble to secure to themselves separately—by means of institutions, where the demands of their individual personalities are satisfied by the control given them over these accumulations.

THE FAMILISTÈRE—COOPERATIVE IRON FOUNDRY, GUISE, FRANCE

This is no dream: a system that actually effects this end is in successful operation in the great cooperative iron foundry, the Familistère, founded by M. Godin, at Guise, in France. There, capital and labour participate in the divisible proceeds of their joint work in proportion to the wages of each, which, in the case of capital, are estimated at 5 per cent, subject to the general condition, that the proportion allotted to work shall be converted into shares credited to the respective owners.

. . . I pass to the third class, to whom I hope that this exposition of the principles and aims of the Labour Association may be of interest—to the general public, so far as it interests itself about social questions at all.

The relations which ought to subsist between employers and employed—between the two factors, each indispensable at the present day to the effectual action of the other—the past accumulated labour called Capital, and the present Labour whereby this past labour has to be vivified, and the relations that do actually exist between them, have aroused of late so much attention; and the belief that the most promising solution of the problems connected with these relations is to be found in the admission of labour in some form to partnership with capital is so generally avowed—that I feel hopeful of obtaining the serious attention and support of those to whom these questions are of real interest, and more especially the employers of labour—to an association especially formed for the serious discussion of the difficulties affecting such arrangements and the best way of dealing with them. No class of

persons could give more valuable aid to the establishment of satisfactory relations between labour and capital than those who combine the possession of large resources with the knowledge and ability to deal with them advantageously, if with this capacity and these resources they unite the *will* to become true captains of industry, leaders in the path of social progress. The most striking examples of what may be done for the elevation of the working population are furnished by men of this description—such men as the late M. Leclaire was at Paris, and as M. Godin, of whom we have spoken above, is at Guise. I trust that we may gather many of them under our standard. I must add, however, a word of caution here. If a real solution of the questions affecting labour and capital is to come from the side of the capitalist, it must be from men who approach it in the spirit of Leclaire and Godin—men who do not ask, “How can I manage so to enlist the interest of the worker in what he does for me, that what he receives will not in any way diminish my gains from his work?”—but seriously inquire—(1) How can the joint proceeds of capital and labour be justly divided between these two factors? (2) What institutions will make the earnings of the worker most full of benefit to him? and (3) How can these institutions be best introduced and kept efficient? I hope that the Labour Association may help to call forth such inquiries, and conduce to their satisfactory answer.

Having thus explained the principles and main object of the Labour Association, it remains to state its mode of operation, which is as follows:—

I. To form public opinion on the subject of Associated Labour by the following means, viz.:—

1. The publication and supply of literature;
2. The delivery of lectures, addresses, etc.;
3. The holding of conferences of all classes of persons interested in the elevation of the worker.

To assist working men to organise themselves for mutual self-employment.

To enlist the active interest of the trade societies in the co-operative movement.

To secure a united action of trade unionists and cooperators for mutual benefit and progress.

To give information generally on the position of cooperative workshops and the conditions of the workers.

II. For the purposes above stated—

1. To organise lodges or branches, working either in themselves or with neighbouring bodies or friends, on the following plan:—
2. A lodge shall meet at least once a month.
3. Lodge meetings, if desired, may be made social as well as business meetings.
4. Each lodge shall be self-governing. Its business should be—
 - (a) To collect propagandist funds for the purpose of meetings, lectures, etc., of which four-fifths shall be retained for the work of the lodge and one-fifth remitted to the central committee.
 - (b) To take preliminary steps for the promotion of any cooperative workshop which may appear likely to succeed, and to receive any contributions of capital promised for that purpose.
5. Each lodge shall elect a secretary, treasurer, auditor, and committee, and shall appoint from time to time a delegate to attend a district committee, as soon as one can be established. The secretary, treasurer, and delegate, for the time being, may be members of the committee.
6. The lodge funds may be invested on deposit with the Productive Federation, or otherwise as the lodge may direct, with the approval of the central body.
7. Each lodge shall report, at least quarterly, to the Executive, giving list of members elected, and statement of accounts, on the forms furnished by the Central Office.
8. The Central Executive shall be elected annually, by the votes of the lodges in proportion to the number of their members.
9. The Executive shall meet weekly in London, or at such other place as may be fixed by the annual meetings. The first annual meeting shall be held at Oldham, at the time of the Cooperative Congress, 1885. Subsequent meetings shall be held at such time and place as the annual meetings fix from time to time.
10. The business of the Executive shall be—
 - (a) The publication and supply of the literature of the movement.
 - (b) Arrangements for the annual meetings.

- (c) The organisation of local conferences.
- (d) Opening relations with existing organisations of labour and societies friendly to the elevation of labour.
- (e) Assisting to provide speakers at meetings.
- (f) Assisting local bodies to organise themselves and their work for the purposes of the association.
- (g) Correspondence with foreign productive societies and associations.

11. The accounts of the central body shall be audited by auditors appointed by the annual meetings.

It will be seen that the Labour Association is essentially a propagandist body, which seeks to form opinion, and thus to stimulate action, and, if it succeeds in calling forth productive societies, may serve as a valuable centre of union among them; but does not itself propose to engage in any productive enterprise, and therefore will not in any way pledge the responsibility of any persons who may join it, by any sort of commercial undertaking.

CURRENT POSSIBILITIES AND LIMITATIONS FOR COOPERATIVE PRODUCTION SOCIETIES

COOPERATIVE PRODUCTION³

The development of the Cooperative Movement is very reminiscent of the discovery of America—Columbus set out to look for India, and discovered America. We know that thinkers in the first half and the middle of last century, who envisaged a cooperative economic system and a new Social Order founded upon it, imagined that this result would be achieved mainly through Workers' Productive Societies and a system of profit-sharing to be adapted to private production. The cooperative theory of that time—so far as ideal conceptions may be called a theory—was thus on the way to India. At the end of last century, however, the contours of an entirely new continent came into sight from the mast-head, and soon the ships cast anchor on the coast of the Cooperative Movement which had been evolved in practice—a Cooperative Movement whose chief spheres of activity are Consumers' and Agricultural Cooperation.

³ Quoted, with permission, from *Review of International Cooperation*, by K. N. Rauhala, Official Organ of the International Cooperative Alliance, London, April, 1937, pages 127-132.

In its early days the Movement was able to achieve considerable economic benefits for its members through consumers' cooperative retail distribution. Still greater benefits were achieved when wholesale purchasing was organised cooperatively. Conditions have, however, changed considerably, in some countries at least. The distributive price margin, *i.e.*, the difference between the purchasing and the selling price, has shrunk so much in some countries that it is now fairly reasonable. That is the case in Finland, at least. Neither are there such abuses with regard to quality as there formerly were. In this direction the objects of the Cooperative Movement have, to a large extent, been achieved, and it has itself played a substantial part in bringing about this result. Furthermore, it exercises a powerful potential control, which prevents any reaction. Since such a point has been reached on the distributive front, what must be the future of the Cooperative Movement? The answer to-day is that the productive front must now be the scene of its main pioneering work.

The new situation imposes fresh demands on the Cooperative Movement, above all, on cooperative research and education. The customer cannot recognise as easily as he once could the benefits of the Cooperative Movement. While he is occupied with his daily work it is difficult for him to understand that behind the scenes, that is, mainly among the private traders, lots are being drawn for his coat. The task of educational work is to enlighten the public as to the functioning of the price mechanism to-day, and the methods adopted by the Cooperative Movement to influence this price mechanism.

How can the Cooperative Movement be of service to the members under the new conditions? That is the central question for the Cooperative Movement.

The following answers, pointing to two main courses, have been given to this question:

1. The Cooperative Movement should play a greater part than hitherto in the national economic system, *i.e.*, it should obtain control of important productive undertakings.

2. The Cooperative Movement should extend its own productive activities in those branches in which it has an opportunity to combat the excessive profit-making of the trusts and cartels.

Coming now to the question of the future development of co-operative production and the principles which must be observed, we may ask, first of all: What experience has been gained of co-

operative production which will be found useful in the different countries in the future? The first rule, which has been confirmed by experience, is that cooperative production must be mainly large-scale production, making the fullest possible use of technical progress. The bakeries owned by small Consumers' Societies are impeded, in some countries at least, by the fact that they come under labour regulations which either do not apply to small family bakeries or are infringed by these bakeries. The result is that the Cooperative Bakeries do not stand on an equal competitive footing, and are, consequently, not able to gain the lead which they might otherwise be able to obtain. The same thing applies to various other branches of production. In some countries plans have, therefore, been prepared, on the basis of investigation, to direct the haphazard local production into centrally-organised channels.

The second rule which has been confirmed by experience is that cooperative production calls for constant and intensive research both in the technical sphere and in the sphere of organisation. If we study private industry we find that, if the effects of tariffs and other fortuitous circumstances are left out of account, the industries which are most successful economically are those which are constantly carrying out technical improvements. A factory which clings to the old-fashioned methods soon loses ground. Cooperative enterprises should take this fact to heart. They should not be content to borrow the latest ideas of private industry, but should be capable of discovering something new. In this respect the decision that the greater part of the surplus of the Swedish cooperative rayon factory shall be used for research work is one which points the way which others should follow.

The most important question of organisation is that of the relation of wages to the intensity of work done. The workers have made it their aim, for decades past, to secure fixed minimum wages, and the idea that remuneration should correspond to the needs of the workers has always formed a part of socialist theory. Any system of wages with the object of stimulating the workers to greater efforts, by contract or piece rates, has usually been opposed by the workers.

The development of wage policy in Soviet Russia, however, has shown that the method of remuneration is not a simple question. According to Bolshevik theory, wages should, as a whole, be uniform throughout the State. It was soon realised, however, that this was impossible. It is a well-known fact that the U.S.S.R. is now

striving to adjust wages accurately to the intensity of work done, and the nature of the work, so that the scale of wages is almost as varied as in other countries (See for example the *International Labour Review*, 1936, Vol. XXXIII, No. 1, pp. 17-18). Contract and piece rates are in general use. There are also many other methods in use to stimulate the workers to greater efforts.

Any method of remuneration which does not take into account individual capabilities, individual sense of responsibility, and individual enthusiasm, is, in my opinion, defective. The minimum wages agreed upon with the trade unions should not act as a strait-jacket, to prevent any allowance being made for amount of work done, and the workers' sense of responsibility. If the Cooperative Movement practises the system of minimum wages, although this is not generally observed in competing enterprises, and if minimum wages are fixed at such a level as makes it impossible to go above the minimum without loss of competitiveness, it has lost a very important opportunity of making cooperative production more effective.

The main function of consumers' cooperative production is to serve the members. The Consumers' Societies ought to be reasonably good employers, but if they sacrifice the interests of their millions of members to those of a few thousands or tens of thousands of workers, in order to make the latter a privileged group, enjoying a larger income than the majority of the members, it is like trying to sail westwards on a westerly wind. Consumers' cooperative production can only hope to extend its scope under the present economic system if it can remain clearly and undeniably competitive. If competitive power is sacrificed for the sake of the employees of the Movement, it is death to all hopes of expansion. It seems as if the employees' associations of the Consumers' Organisations will never realise this fact, obvious as it is. To give an example: The "Elanto" Consumers' Society recently started a pension scheme for its employees. This was based on the system that the Society should pay one half, and the employees themselves the other half, of the insurance premiums. The contribution of the Society is Fmk. 21 million capital to start with, and Fmk. 1.5 million every year. You will see what this means when I say that nearly all the firms in competition with "Elanto" do not spend a penny on pensions as they have no pension schemes. But, nevertheless, the employees were not satisfied with the Society's arrangement, and demanded that "Elanto" should be responsible for the

whole of the premiums, which would have meant an additional annual expenditure of Fmk. 1½ million. "Elanto" has 50,000 members, to whom about Fmk. 5 million is distributed in dividends each year. The employees of the Society number 2,500, and, in addition to fair wages, they already receive advantages which are worth from Fmk. 2 million to Fmk. 3 million a year. Now they demand Fmk. 1.5 million a year from the surplus, which would mean that the 2,500 employees would receive nearly as much, if not more, in special benefits, from the Consumers' Society each year as the 50,000 members. If "Elanto" had acceded to the demands of the employees it would have become the enterprise of its own employees, *i.e.*, a Workers' Productive Society, which would have diminished the interest of the members in the undertaking.

To put it briefly, the productive activity of the Consumers' Movement, like all its other activities, must remain absolutely competitive. This is the first essential, and I am afraid that here and there, as a result of the pressure of trade unions, which is exerted particularly upon Cooperative Societies, enterprises have broken this rule, and are approaching the crucial point at which a consumers' cooperative undertaking becomes mainly an undertaking of the workers, and loses its power of attracting a wide circle of customers.

The three points which I have enumerated—large, first-class factories, effective technique and organisation, and a wage policy which preserves competitive power—are the fundamental conditions for the development of consumers' cooperative production.

But what steps must we take to expand production? Since private enterprises sell their products through the Consumers' Societies, why could not the Consumers' Societies, it is asked, sell their products through private enterprises?

The idea is not a new one. Apart from the fact that the Agricultural Societies commonly sell their produce through private enterprises, Consumers' Societies, in their initial stages, have also used this method. Thus, for example, the "Elanto" Society at first sold some of the output of its bakery to private traders, before it had sufficient shops of its own. But strict cooperative theory has always regarded such practises as temporary, to be given up as soon as possible. The view was held that it is one of the fundamental principles of the Consumers' Movement to sell only to those who are organised in the ranks of the Movement. And no doubt this is the

strongest reason of all for the activities of the Movement. Any abandonment of it must give rise to serious misgivings.

If the consumers' cooperative productive enterprises begin to sell goods on a large scale on the open market, the same problems will creep in as have to be faced by private enterprise—uncertainty of sales, the spirit of speculation, &c. These weaknesses would be further accentuated by the fact that there is frequently antagonism between the Cooperative Movement and the private business world; what would happen if this relation should lead the private traders to refuse to buy cooperatively produced goods, or to demand unfair conditions? In any case, it is clear that by selling in this way cooperative enterprises would be carrying on capitalistic activity. Such action might cause a decline in the trading section of the organisation, causing losses which would neutralise the gains of the productive section. Anything that has been said in its support up to the present, at any rate, has not been sufficient to convince the supporters of the old theory of the justice of the new proposal.

It has also been suggested that the Cooperative Movement should extend its productive framework in such a way that, particularly when its purchasing power is not sufficient for the maintenance of a separate productive enterprise, it should become affiliated to private enterprise and participate in its productive undertakings. This method has also been applied in some cases. The most frequently mentioned is the Bell Slaughter House in Switzerland. This is a big limited company, in which the V.S.K. owns the majority of the share capital.

There is no doubt that this method has some good points, and its particular advantage is that the Consumers' Movement can exercise its influence in the defence of the consumers even in spheres in which it cannot establish its own productive enterprise. But it also has its defects, especially if it were applied on a large scale. It would, for example, involve the Consumers' Movement too deeply in speculation. Joint undertakings would involve the Cooperative Movement in the policy of private enterprise, its tariff policy and so on. In short, this method, also, has serious objections.

There are two questions bound up with the development of consumers' cooperative production to which I can only allude in passing. These are: the unity of cooperators in each individual country, and international cooperative enterprise. The first question has been the subject of special consideration in Finland, since the Movement there is divided into two almost equally powerful camps.

This split may have been of some benefit. It cannot be denied, however, that it is a serious obstacle to the development of production. By far the best conditions for consumers' cooperative production exist in those countries where the Cooperative Movement, regardless of political differences, remains neutral, and where all cooperative consumers and other cooperators can work according to a jointly agreed plan.

Our conclusions, therefore, may be summarised as follows:—

1. Cooperative theorists have held differing views with regard to the future of cooperative economy, and, therefore, of consumers' cooperative production. Several leading theorists have held the view that there will be room for other economic forms side by side with cooperative economy. Cooperative theorists have not advocated a hundred-per-cent cooperative economic system.

2. Consumers' cooperative production at present plays only a small part in economic life, though its importance may be much greater than its percentage share in the total turnover. It is absolutely necessary to develop this production.

3. The most important conditions for the development of consumers' cooperative production are internal. The chief are that production should be properly organised, that it should be at the highest pitch of technical development, and that costs should be at such a level as to permit enterprises to be fully competitive.

4. Sales through the medium of private undertakings, and productive enterprises owned jointly with private trade, are only advisable to a limited extent. There are serious objections to the extensive application of these methods.

5. Cooperative Organisations which are unified as far as possible from the point of view of the sale of cooperative productions are one of the first essentials for the development of production.

6. Any organisation of marketing between the Cooperative Societies of the different countries promotes production, and the establishment of an International Wholesale Society might mean great progress in the productive sphere.

Part III

THE MARKETING COOPERATIVE MOVEMENT
(AGRICULTURAL)

MARKETING COOPERATIVES IN FOREIGN COUNTRIES

AGRICULTURAL COOPERATIVE SOCIETIES (EUROPEAN)¹

TYPES OF AGRICULTURAL COOPERATIVE SOCIETIES

THERE are various types of agricultural cooperative societies. One of the most numerous is the supply society. Its function is to provide farm requisites of all kinds at a low price, including feeding stuffs, seeds, fertilizer, fuel, twine, implements, and sundries. In some cases the society imports a part of its stock of supplies. By means of collective buying the farmers become independent of local dealers and are in a better position to protect themselves against monopolistic combines in addition to having the advantage of large quantity purchases.

A second type is the cooperative sale society for marketing farm produce. Butter and egg selling societies are probably the most numerous of this class. Other products of the farm handled in this way are milk, bacon, potatoes, hay, straw, wool, fruit, garden produce, livestock, etc.

Farmers' cooperative sale societies frequently operate warehouses and elevators. In Germany, Czechoslovakia, and Sweden moderate sized establishments of this kind have greatly facilitated the process of distributing and marketing farm products. In England farmers' cooperative auction sales have been established with considerable success. In Denmark, Holland, Sweden, Finland, and Esthonia farm products are exported in large quantities on a co-operative basis.

A third type of cooperative agricultural society is the productive society. It includes cooperative dairies and creameries, which are very numerous in all the leading agricultural districts of Europe,

¹ Quoted, with permission, from "Cooperation in Foreign Countries," by Huston Thompson, Chairman Federal Trade Commission (accompanied by Wm. F. Notz), Senate Document 171, Washington, 1925, pages 27-49.

as well as cooperative distilleries, vintries, flour and grist mills, sugar-beet crushing plants, etc.

A fourth type comprises societies for the joint utilization of farm machinery, such as tractors, threshing machines, etc.

In several countries the cooperative agricultural societies are closely connected and structurally similar to cooperative credit societies. One and the same society frequently does a savings and loan business in addition to pooling the purchases of members' requirements or storing and selling their produce. Its activities may be still more complex and embrace cattle breeding, milk testing, supervision of farm cost accounting, insurance, distribution of electric power, etc.

Numerous cooperative societies of this mixed type are found in Russia, Latvia, Czechoslovakia, Italy, and Ireland, whereas in England and Denmark it is customary to form separate societies for each individual function.

Wherever agricultural cooperation has developed successfully, local supply societies have federated into central leagues. This has led to a further step, namely, the cooperative production of certain commodities required by the farmer. In Denmark this stage has already been reached for the central society which supplies the cooperative dairies and owns a machinery factory, while other cooperative federations grow their own farm and garden seeds, and still others operate cement mills.

Government Grants and Loans

In most European countries the present trend of agriculture is toward small-scale farming. This movement is being accelerated by recent land reform legislation as a result of which large estates are divided up into small ones and parceled out to thousands of new farmers. To the latter the cooperative societies for supply, production, and sale are an opportune means of obtaining the advantage of large-scale organization. For this reason the governments of various countries have liberally aided the agricultural cooperatives by direct money grants and loans and indirectly through various agencies connected with their ministries of agriculture.

This offers a practical solution of the problem of unemployment and its accompanying restlessness in large industrial centers. Small-scale farming gives an opportunity to develop a diversity of occupation and counteracts the flow of population toward the cities.

DENMARK

Agricultural cooperation has given Denmark world-wide renown. With a rural population of but one and a half millions and a cultivated acreage of about three and a half million hectares (8,645,000 acres) Denmark supplies one-third of the total amount of export butter on the world market, and, in addition, furnishes Great Britain with from 20 to 50 per cent of her total imports of bacon and eggs.

Moreover, Denmark exports a large surplus of field and garden seeds, potatoes, and other farm products.

Small farms predominate in Denmark. Over 50 per cent are not larger than 30 acres. The small farmer, in order to maintain himself independent, has found it necessary to cooperate with his neighbors, and in this way has been able to build up a great national agricultural industry. The different cooperative societies have united nearly 200,000 farms into one great industrial enterprise which within the past 40 years has made Denmark one of the leading agricultural export countries of the world. Eighty per cent of Denmark's export trade consists of farm products.

Denmark a Network of Cooperation

The entire Danish cooperative system rests on small local societies of which there are many thousands. As a rule, each society serves one purpose only and most Danish farmers are members of several societies, some belong to as many as 10 or more. Although the local societies are united in district, county, and national organizations, they are very jealous of their individual rights. The large central associations, therefore, function chiefly in an advisory capacity for statistical purposes and as representatives of their members in matters relating to the State or to outsiders.

The shareholders or members of the local societies unite in raising the necessary funds for building and operating creameries, packing plants, etc., through loans from banks and credit societies. Individual members are jointly and severally liable for the loans. "One man, one vote" rather than "one cow, one vote" is a fundamental principle of most Danish agricultural cooperatives.

Danish farmers purchase together and sell together. The cooperative societies which receive, prepare, and market farm products specialize along different lines, such as butter making, pork packing, and egg shipping. As the domestic market is very small

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compared with the export market, the producers' cooperatives operate chiefly for export trade.

Cooperative Dairies and Creameries

Danish butter has become a world market commodity. Out of a total of 1,654 dairy societies, 1,433 are operated on cooperative lines and their membership includes more than 180,000 farmers. They consume about 90 per cent of the entire production of whole milk.

The Danish local cooperative creameries work together through provincial associations, which are again combined in the United Danish Cooperative Dairies. The main office of the latter association is located at Aarhus.

. . . There are now 11 cooperative export butter associations in operation. They are federated in the Associated Danish Cooperative Butter Export Societies. With the assistance of the Government, they have succeeded in raising Danish butter to a standard where it can command the highest market prices.

Bacon Cooperatives

Next to butter, bacon is the leading farm product marketed by cooperative means. Denmark furnishes most of the bacon consumed in England. More than 86 per cent of the entire Danish production of bacon and other pork products is marketed through cooperative associations, of which there are 46 with 156,000 members over against 16 small private concerns. The leading cooperative bacon export association, the Danish Bacon Co. which comprises about one-third of the cooperative packing plants, has a central office and various branches in London, through which it distributes its products in the English market. . . .

Farmers' Cooperative Seed Association

One of the most recent developments of Danish agricultural co-operation is conducted by the Farmers' Cooperative Seed Association which controls one-fourth of the seed acreage of Denmark. Pedigree seeds are grown under special control of the seed organization and are furnished to the members, who grow seeds for commercial purposes. There are 31 local societies with 2,557 members. The crops are supervised by specialists. The seeds are later delivered to cooperative warehouses, where they are cleaned,

tested, and marketed. A considerable export trade in grass and root seeds has been built up.

Farmers' Joint Purchasing Associations

Farmers' joint purchasing associations have also been a great benefit to Danish agriculture. Through these societies large stocks of oil cakes, corn, and artificial fertilizer are imported annually. They are used as fodder for the livestock and for intensive cultivation of the soil, and subsequently in the finished form of bacon, butter, and eggs aid in maintaining Denmark's profitable export trade. There are 1,280 cooperative societies for purchasing feedstuffs, aggregating 70,745 members, and 2 fertilizer supply societies with 73,000 members. Approximately 40 per cent of the agricultural feedstuffs and 50 per cent of the fertilizer shipped into Denmark are handled in this way. . . .

FINLAND

Finland is one of the best modern examples of what cooperation can do toward building up a prosperous agricultural country. The Finnish cooperative movement was inaugurated fairly recently. Serious difficulties had to be overcome before its permanent success was established. A sparse population, poor means of communication, a low level of popular education in the early days, and lack of sympathy on the part of the ruling classes made the work of the pioneer, Dr. Hannes Gebhard, the "father of Finnish cooperation," an uphill task. But with the founding in 1899 of the Pellervo Society, a central propaganda organization for promoting cooperative methods, the movement prospered to such an extent that to-day Finland ranks as one of the foremost among the countries where the cooperative system of production and distribution has become a national asset and a potent force for social reform.

Finland is essentially an agricultural country, and most of the cooperative societies are rural; their members are largely persons of moderate circumstances. Out of a population of about three and one-half million more than 400,000 families belong to cooperative organizations.

There are several large central federations of cooperative societies in Finland. Of these, three are essentially farmers' organizations, viz., the Hankkija Agricultural Cooperative Wholesale

Society, the Finnish Farmers' Cooperative Wholesale Society, "Labor," and the "Valio" Butter Export Cooperative Society. . . .

"Valio" Butter Export Cooperative Society

The Valio Butter Export Cooperative Society was founded in 1905. Its success has been so great that to-day it is the leading butter export concern in Finland, handling about 80 per cent of the total shipments of butter leaving Finland. It operates large modern plants in Helsingfors, Viborg, and Abo. The membership of the Valio includes 300 cooperative societies, numbering in all about 50,000 farmers. The Valio does not engage exclusively in the export of butter. It sells butter in the domestic market, and it also sells milk to the consumers' cooperative societies and to private milk dealers and has developed a large trade in cheese. On account of the excellent hay fed to the cows, Finnish butter has superior keeping qualities, and through the introduction of Swiss methods of cheese making, a high-grade cheese is now being manufactured for which the Valio finds a ready market abroad. The society has an agency in Hull, England.

In addition to its marketing activities, the society provides technical instruction to its members in cheese making and in the building and operation of dairies and creameries, and through its laboratory, statistical service, lecture courses, and the distribution of literature promotes the dairy industry throughout Finland.

Valio is managed by a general committee of 10 persons, who are selected by the representatives of the member societies, and by a managing committee of three, who are appointed by the general committee.

Each member society has one vote and is required to take out shares according to its production, eight shares being the maximum.

CZECHOSLOVAKIA

In but a few countries have cooperative ideas become so firmly rooted as in Czechoslovakia. It is estimated that about 8,000,000 people, or fully half of the population, are directly interested in cooperative organizations, which number approximately 13,000.

The value of all property owned by cooperative societies amounts to one and a half billion crowns and the value of all property administered by them totals 10,000,000,000 crowns.

The movement has gained its strongest foothold among the

rural population. Three out of every five farmers belong to a cooperative society. In certain sections the farmers not only procure almost all of their supplies from their local cooperative societies but also market all their products exclusively through the same agencies.

The agricultural cooperative societies of Czechoslovakia are for the most part federated along nationalistic lines, there being three national leagues each in Bohemia and Moravia and one in Slovakia. Some of these groups are closely identified with socialistic and religious political parties, while others consist of German or Polish speaking constituents. . . .

The "Centrokoooperative"

Through the initiative of the Central Union it was possible in 1921 to unite all agricultural cooperative organizations in Czechoslovakia in the "Centrokoooperative" at Prague. This central federation includes 8 cooperative unions with 5,803 agricultural cooperative societies. Organization and administration are its principal functions. It also serves as a central auditing office and through a uniform system of accounting has done much to establish the cooperative movement throughout Czechoslovakia upon a sound business basis. . . .

GREAT BRITAIN

Agricultural cooperation in the United Kingdom has not developed on as extensive a scale and with the same success as the consumer's movement. It has progressed farthest in Ireland, where it had its origin, but less in Scotland and England.

The movement in Ireland is essentially the fruit of the labors of three pioneers, Sir Horace Plunkett, the Rev. T. A. Finlay, and Mr. C. A. Anderson. The former on a visit to the United States reached the conclusion that many of his fellow countrymen who had left Ireland for their own good might well have stayed at home if the conditions had been different, and if they had applied the same amount of energy to work in Ireland. In cooperation he saw the solution for the Irish agricultural problem. On his return to Ireland, in 1889, he started the work of propagandism as a result of which every county in Ireland is to-day connected to a greater or less extent with the cooperative movement.

The work of the pioneers was beset with difficulties on all sides.

It took 50 meetings to make the first experiment in cooperative dairying. It was not until five years after the work of organization began that the first agricultural bank was started.

Irish Agricultural Organization

In order to centralize the whole movement and to foster and protect as well as organize new cooperative societies, a special organization, the Irish Agricultural Organization Society (I. A. O. S.) was formed in 1894. Attention was then concentrated upon the problem of farming in Ireland, with such success that among other things the Irish butter industry was saved from extinction. The small farmers, hitherto largely the victims of the notorious "gombenmen" (village trade usurers) and ignorant of efficient marketing methods, were taught better business and better farming methods.

The headquarters of the I. A. O. S. are at Plunkett House, Dublin. Its activities include the organizing of new cooperative societies, supervising and auditing the accounts of its member societies, giving technical advice to creameries, arbitrating disputes, eliminating overlapping activities of cooperative societies, finding markets for cooperative dairy products, and educational work generally. The steady expansion of the movement is shown by the fact that from one society in 1889 the membership increased to 1,114 societies in 1920.

Cooperative societies organized by the I. A. O. S. have sold since 1889 more than £70,000,000 worth of butter and creamery products and £30,000,000 worth of eggs, poultry, bacon, etc. The total turnover of the cooperative agricultural movement, 1889 to 1922, inclusive, was over £100,000,000.

Irish Agricultural Wholesale Society (Ltd.)

The same group of men who organized the I. A. O. S. was instrumental in forming the Irish Agricultural Wholesale Society (Ltd.) (I. A. W. S.) in 1898. This is a federation of cooperative agricultural societies for common wholesale buying and selling of farm requirements and produce and has become the clearing house for the Irish cooperative movements of production and distribution.

The membership of the I. A. W. S. includes cooperative dairies, stores, credit societies, and societies for procuring fertilizers, seeds,

and machinery. There were 700 member societies in 1921. The I. A. W. S. has its central offices and warehouses in Dublin. They include a banking and accounting department, established in 1910, for the accommodation of its member societies. The bank has succeeded in attracting a large amount of deposits. Another department which comprises the principal agricultural supply work of the I. A. W. S. handles seeds, manures, feeding stuffs, coal, and general agricultural requirements.

The department handling butter, eggs, poultry, beef, mutton, and pork has agents in important centers of the United Kingdom who keep the local societies in touch with outside markets. The department for implements, machinery, and hardware supplies these commodities under its own brand, while a separate department for honey and bee appliances affords a market to small farmers for produce which they could not formerly dispose of, and has been a means of introducing comfort to homes where formerly want existed. Two more recent ventures are the grocery and dairy engineering departments.

Agricultural Organization Society of England

In England agricultural cooperation centers around the Agricultural Organization Society (A. O. S.), whose central office is in London. The A. O. S. is not a trading body and does not engage in commercial transactions. It advises and assists in the formation of agricultural cooperative societies and promotes their work. It is controlled by its affiliated societies working through a democratic board of governors. The A. O. S. was formed in 1901, and in 1922 had 1,460 member societies, comprising 145,094 individual members. The trade turnover of the societies for that year amounted to £16,002,365.

Affiliated with the A. O. S. are farmers' societies whose main business is the purchase of members' requirements, dairy societies, slaughterhouse societies, societies for the sale of fruit and market garden produce, cattle auction societies, wool societies, poultry and egg societies, small land holdings and allotment societies, and miscellaneous organizations.

The Ulster and Scottish Societies

The Ulster Agricultural Organization Society (U. A. O. S.), Belfast, and the Scottish Agricultural Wholesale Society, Edin-

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burgh, are also cooperative propaganda societies and do not engage in commercial transactions.

Government Grants to Agricultural Cooperatives

In past years the various agricultural cooperative federations in the United Kingdom received substantial Government grants.

The I. A. O. S. and the U. A. O. S. still receive certain financial aid from their governments, dependent on the amount raised by their members in the form of voluntary income. Since March 31, 1923, the A. O. S. has been dependent entirely on contributions from its members, financial aid by the state having ceased on that date.

GERMANY

At the present time there are approximately 36,235 agricultural cooperative societies in Germany, or about 75 per cent of all the registered cooperative societies of Germany. Of this number 97 were central unions, 19,236 rural credit societies, 4,478 buying and selling organizations, 3,398 dairies, while the rest were of diverse types. In 1922 there was one of these societies to every 1,014 inhabitants, exclusive of those cities which have a population in excess of 20,000. From the point of view of land area under cultivation there was one society for each 757 hectares. Many of them engage in more than one line of business, including particularly savings and loan operations. About one-fourth of the total German agricultural cooperative societies are Raiffeisen organizations. Nearly all are affiliated with one of the large national federations of farmers' cooperatives, especially the Reichsverband and the Generalverband.

Credit Facilities for Affiliated Farmers—Joint Purchase of Agricultural Supplies—Cooperative Sale of Farm Products

In addition to providing credit facilities for the affiliated farmers, German agricultural cooperatives have two other main functions, viz., (1) the joint purchase of agricultural supplies, and (2) the cooperative sale of farm products. Greater success has been achieved in the former than in the latter capacity. Variations in quality and value make it difficult to establish uniform prices so that cooperative selling has been successful in a limited way only.

In cases where purchase or sale assumes larger proportions, separate buying and selling societies are established. The principal

commodities so handled are artificial fertilizers, feedstuffs, seeds, fuel supplies, agricultural machinery and implements, grain, and potatoes.

As regards small farmers, cooperative selling has been most successful in case of farm products which can be manufactured or worked up for the market by cooperative methods into a commodity of uniform quality. Therein lies the success of cooperative dairies for manufacturing butter and cheese and supplying cities with milk. In 1921 there were 3,208 such cooperative dairies with a membership of about 300,000 farmers. A development of comparatively recent origin which has proved very successful is the sale of butter by cooperative dairies at auctions held in Berlin, Hamburg, and Bremen.

Cooperative organizations for marketing grain and cattle have proved equally successful. The cooperative cattle societies have their own representatives at the leading cattle markets and exercise a stabilizing effect on market prices.

Efforts to operate large central cooperative grain (rye and wheat) elevators or warehouses have been accompanied by numerous failures. The elevators had been built on too large a scale and were equipped with machinery which the farmers did not understand how to use. Satisfactory results, however, have been had with small cooperative elevators.

In the case of the Raiffeisen organizations the credit societies themselves sell the grain, at times becoming part owners of an elevator.

Recently scarcity of labor or too high wages have made it necessary for many farmers to substitute motor power for human or animal labor. This has proved a strong stimulus to the growth of farmers' cooperative societies for supplying electrical power. Their membership has increased more rapidly than that of any other type of cooperative organization. On June 1, 1922, there were 4,873 cooperative societies of this type supplying electric power and light to thousands of small farms in every part of the country. It is claimed that as against municipal ownership, cooperative production and distribution of electric power has made possible a more equitable distribution of burdens and has facilitated financing operations.

Other lines of agricultural cooperation in Germany include potato distilling and drying, motor plowing and threshing, stock and poultry breeding, tobacco and sugar beet growing, pasturage,

water piping, oil milling, stone quarrying and pottery, uniform cost accounting, and insurance. . . .

RUSSIA

Prior to the World War 70 per cent of the Russian population was working on the land. With the dwindling of industry, Russia is to-day more than ever an agricultural country. The situation reflects itself in the cooperative movement of which the Russian peasantry forms the backbone.

On July 1, 1922, there were in the Russian Republic, not including the Ukraine, 16,667 agricultural cooperative societies, of which 3,224 were of a purely agricultural type, 1,753 were butter and cheese makers' organizations, and 616 were credit societies. The various local societies are federated into 300 unions and comprise more than two and a half million homesteads or 18½ per cent of the total number of peasant homesteads in Russia.

All-Russian Union of Agricultural Cooperative Societies, "Selskosoyus"

The central organ of the whole movement is the All-Russian Union of Agricultural Cooperative Societies "Selskosoyus." It was formed in 1921 and its trade turnover in 1922 amounted to 7,000,000 gold rubles (\$3,602,200).

In the same year the flax and potato cooperative societies formed separate central bodies, the flax center "Lnocentre" and the Potato Union. About 26 unions joined the former, while 54 potato-crushing, 2 potato-drying, 1 starch and 1 treacle factory joined the latter.

Most of the unions affiliated with the Selskosoyus have their own productive undertakings, such as flour mills, workshops, electric plants, breeding farms, vegetable-drying plants, kitchen gardens, experimental farms, etc. . . .

SWITZERLAND

Switzerland has more than 11,000 cooperative societies, of which about half are farmers' organizations. It is said that every Swiss farmer belongs to one or more cooperative societies.

Cooperation in Swiss agriculture is the unaided democratic achievement of the native peasants themselves; but, like the Swiss consumers' cooperatives, it owes its modern form to foreign in-

fluences. During the past 25 years agricultural cooperation has assumed such extraordinary expansion throughout the leading agricultural cantons that it constitutes to-day one of the most powerful factors in the economic life of the nation.

There is no national federation of agricultural cooperative associations, but the Secretariat of Swiss Farmers, which represents all interests of Swiss agriculture, also serves as a common link for the farmers' cooperatives. . . .

Cooperative Dairies

The most marked success, however, has been achieved by the cooperative dairy societies, the pride of Swiss agriculture. They number 3,518 and unite 102,677 owners of cows. From these dairies millions of liters (a liter is 1.05671 liquid quarts) of fresh milk are shipped daily to cities and industrial centers, as well as to milk-condensing plants. These dairies manufacture the famous Emmenthaler and Gruyère cheese. Since 1907 the dairies have been united into a national federation. A highly developed solidarity among its members, backed up by large reserve funds, has made this federation a powerful and influential body. It has succeeded in raising and stabilizing the price of milk and has eliminated many middlemen in the marketing process of dairy products. At the outbreak of the World War the federation had begun to export its own cheese and to compete with the leading private firms, which up to that time had controlled the export trade of Swiss cheese.

FRANCE

Agricultural cooperation in France centers around a special type of association, the syndicate. Its legal basis is a law of 1884 which legalized trade-unions under the name of "professional syndicates" formed for the defense and advancement of their common economic interests. Under that law the syndicates are to be non-trading associations, but by a liberal interpretation a syndicate is considered noncommercial provided it acts as an intermediary only, without making profits. For practical purposes, therefore, syndicates have annexed to themselves separate organizations which are technically cooperative. The cooperative societies are thus offshoots of the syndicates, and the farmers take part in the operation of the cooperative societies via the syndicate and as members of the latter.

Central Union of French Agricultural Syndicates

There are now about 4,000 agricultural syndicates in France. They are united in departmental and regional unions, and in 1886 a national federation was formed, the Central Union of French Agricultural Syndicates.

While some syndicates act themselves as agents for their members in buying or selling farm supplies or produce, others have turned these commercial activities over to cooperative societies affiliated with them or their unions. In many cases large cooperative societies which engage in joint buying as well as in selling are annexed to regional unions. Generally the cooperative societies have been founded and are administered by the officers of the syndicates or of the syndical unions and rarely deal with non-syndicate members.

Milk is the principal commodity in connection with which cooperative societies have been formed among French farmers. These societies are one of three kinds, according as they are concerned with cheese making, butter making, or the sale of milk direct. Cooperative cheese societies or "fruitieres" number about 2,000. Nearly all engage in the manufacture of Gruyère cheese.

Cooperative creameries are most numerous in the western, northern, and northeastern districts. There are several federations.

Cooperative milk selling societies have been formed particularly for supplying some of the larger cities like Paris, Lyons, and others.

Other cooperative farmers' associations combine sugar-beet growers, olive oil producers, wine growers, flower gardeners, threshing societies, etc.

*Agricultural Cooperative Union of France—**Union of Dairy Cooperative Societies in Charente and Poitou*

The leading federations of agricultural cooperative societies are the Agricultural Cooperative Union of France, with headquarters at Paris and a membership of 8,000 societies, and the Union of Dairy Cooperative Societies in Charente and Poitou, with more than 75,000 individual members.

SWEDEN

National Union of Swedish Agriculturists

The agricultural cooperative movement in Sweden first became well organized in 1906, when numerous local societies joined in the formation of central or provincial associations. The latter in

turn established the National Union of Swedish Agriculturists (Svenska Landmannens Riksforbund). From the headquarters of this national federation in Stockholm and Gothenburg a whole network of farmers' cooperative organizations now spreads out over the entire country. Some of them are joint stock companies, but the majority are registered as cooperative societies under the economic societies act of 1911, either without personal liability of the members or with limited personal liability.

The Riksforbund

The Riksforbund is a central purchasing and selling organization comprising 84,726 members, with total land holdings of 980,570 hectares (2,422,007 acres). It buys manures, seeds, and seeding stuffs for its member societies and sells rye, wheat, oats, and hay for them. Its turnover in 1920 amounted to over 38,000,000 kroner. It operates 363 warehouses throughout the country, of which 115 belong to the central association and 248 to local cooperative societies. Some of them are spacious modern elevators with up-to-date loading and unloading facilities. Others are small frame structures adjoining a railroad track, but are sufficient to meet the needs of the local societies.

Other farmers' cooperative associations operate packing plants and egg selling stations, and engage in fruit and beet growing, cattle breeding, peat production, joint operation of threshing engines, tractors, etc.

Cooperative Dairy Societies

Cooperative dairy societies have grown to great importance in Sweden. One of the most successful of these is the Farmers' Milk Selling Association of Stockholm, which was organized in 1915, and is said to be the largest milk-supply concern in Europe outside of the United Dairies of London. In 1923 its membership included about 6,000 farmers and approximately 75,000 registered cows. Each cow entitles its owner to one share, but no member can vote for more than 500 shares. The business management rests in the hands of an executive committee of seven farmers, who elect a general manager. . . .

HOLLAND

Dutch farmers, unlike the urban communities, are very keenly alive to the advantages derived by them from cooperative organ-

izations, and the cooperative movement has therefore been much more successful among the farmers than among the urban population of Holland.

Dutch Dairy Union

The Dutch Dairy Union has a membership of 445 cooperative creameries, which in 1922 utilized 40 per cent of the total milk production of the country. In addition to marketing its products the union has also taken up the wholesale purchase and distribution of farm supplies. The annual turnover of its central purchasing office amounts to two and three-quarters million guilders. It also has its own banking departments of Leeuwarden and Alkmaar and a technical office in charge of an expert engineer. A similar farmers' cooperative purchasing society has its central office at Enschede. It has 120,000 members and a turnover of 28,000,000 guilders.

Cooperative Export Societies

Cooperative exporting of farm products has been successfully carried on in Holland for a number of years. Dutch farmers have their own cooperative export societies, the largest being the Friesland Dairy Export Society, whose offices are at Leeuwarden. Similar cooperative export societies are located at Zutphen, Alkmaar, Roermond, and Rosendaal. In Hoorn there is a cooperative society for the sale of cheese. Several cooperative societies engage in the sale of vegetables and fruit, their total turnover approximating 74,500,000 guilders per year.

ITALY

Modern agricultural cooperation in Italy had its beginning in the cooperative credit societies of about 30 years ago. Through them the farmers learned the benefits of teamwork, and they became the financial backbone of the whole cooperative movement. Its growth has been rapid since that time, and the agricultural sections of the country owe much of their progress and prosperity to this working together for a common cause.

In the main the movement is one of small land proprietors. It has been most successful in northern and central Italy, much less in the southern Provinces. The size of the societies varies greatly and their turnover ranges from one to five hundred thousand dol-

lars per year. Some of the societies are closely affiliated with political and religious organizations.

Not including the credit associations, the cooperative societies group themselves into (1) societies for the joint purchase of agricultural supplies, (2) societies for joint production and sales, and (3) cooperative landholding societies.

The organizations which engage in cooperative purchasing of farm supplies fall into two groups, the so-called consortia and the agricultural unions.

The Consortia

The consortia are organized in the form of cooperative societies with limited liability and they generally limit their business to a single district. Their object is to purchase for their members, fertilizers, spraying material, farm machinery and implements, fuel, seeds, etc., and to provide for the inspection and testing of the same so as to insure good quality.

The number of these consortia has increased very rapidly in recent years and in 1920 amounted to 539 societies with more than 312,000 members. The value of the goods supplied increased almost tenfold between 1910 and 1920, and in the latter year amounted to 808,000,000 lire.

National Federation of Agricultural Unions

A further important group of cooperative purchasing societies is composed of about 800 so-called agricultural unions. They are combined in 64 local federations. In 1917 the latter united into a central organization, the National Federation of Agricultural Unions with a principal office in Rome.

The general purpose of the federation is to provide for the agricultural associations a center of information, of technical and legal advice, and of commercial and financial assistance. The Federation carries on a many-sided work. It promotes the cooperative movement among the farmers, gives assistance to affiliated societies, and organizes new societies. Due to its efforts numerous cooperative societies have been formed, particularly in central and southern Italy. It also negotiates joint purchase of goods for its members, arranges for the manufacture of certain farm supplies like sulphate of copper, and negotiates the sale of agricultural produce for its members. The total business done by the federation in 1920 amounted to nearly 200,000,000 lire.

Cooperative Landholding Societies

One of the most characteristic forms which the agricultural cooperative movement in Italy has taken in recent years is represented by the cooperative landholding societies. This whole development is an interesting attempt to diminish agricultural unemployment, a problem for which emigration no longer provides a solution. Such associations are organized by small farmers, farm tenants, and farm laborers for the purpose of obtaining land which they themselves will cultivate. This is done in most cases by means of a tenancy agreement, but also on the basis of a produce-sharing contract. Their legal form is that of cooperative societies, with either limited or unlimited liability. One group operates under a system of divided management, taking large blocks of land from the landowners and parceling the same out among the members. This type is the most numerous. The other group follows a scheme of joint management. The members cultivate the land in common under joint management and technical direction. Cultivation under this system is more intensive and the technical methods are superior.

The period of tenancy varies from 1 to 15 years and the lands taken on a collective agreement are the property either of the State or of other bodies, or private individuals.

In addition to cultivating the soil, the societies as a rule also purchase their supplies and sell their produce in common and have joint ownership of agricultural machinery. Provision is made for collective crop insurance. Some societies manufacture cheese on a cooperative basis. Educational work along various lines is promoted by these organizations.

The cooperative landholding societies, which in 1914 numbered about two hundred, have spread throughout Italy. They are particularly numerous in the northern Provinces, where their technical equipment has reached a high degree of perfection. Several federations of landholding societies have been formed, one of the largest, that at Ravenna, combining 26 affiliated societies with a total of 12,000 hectares (29,640 acres) of land, and giving employment to thousands of laborers.

BALTIC STATES

In the states bordering on the Baltic Sea—Esthonia, Latvia, Lithuania, and Poland—cooperation has become one of the most potent forces in reconstructing the economic life of the new repub-

lics. Being essentially agricultural countries, the cooperative movement among farmers is of special importance. In the absence of sufficient capital, cooperation supplies the best means of solving the all-important land question, which was brought about by recent agrarian land reform legislation. By collective action the new landholders obtain much-needed credit for cultivating and improving their farms, and numerous cooperative societies for purchasing or selling farm requisites and products have become instrumental in placing agriculture on a solid foundation.

In Latvia and Esthonia agricultural cooperation has progressed farthest. In order to enlarge and strengthen the whole movement, it is now planned to establish an international alliance which is to include the cooperative organizations of Esthonia, Latvia, and Lithuania. . . .

Latvian Cooperatives—Central Federation, "Konsums"

There are more than 2,000 cooperative societies in Latvia, of which the majority serve the needs of the rural population.

The Latvian Government is very favorably disposed toward the cooperative movement, and under the law of associations of 1920, cooperative societies are allowed to develop unhindered by restrictions such as existed in former years.

The leading agricultural cooperative society in Latvia is the central federation, "Konsums," which has its main office at Riga. It was organized in 1907 and comprises about 300 societies. Its main functions are the purchase and sale of agricultural and dairy machinery, seeds, salt, fertilizer, etc. In various parts of the country it also operates plants for the manufacture of tar, turpentine, bone meal, and glue. Since the organization of the state flax monopoly, the Konsums acts as purchasing agent for the state. In addition to its wholesale trade the federation also carries on the retail sale of certain farm requisites. Recently a considerable export business has been developed in lumber to England, Holland, and France; in linseed, oats, and rye to Belgium, Holland, and Denmark; and in butter to England. Large quantities of fertilizer are imported.

The cooperative dairy industry of Latvia is 15 years old. The World War interrupted its promising early development, but with the return of peace and the advancing of economic reconstruction a revival took place. From 15 cooperative dairies in 1919 their number increased to 529 in 1923. In the latter year the coopera-

tive dairy farms worked up a total supply of sixty-eight and six-tenths millions kilograms of milk, of which three million kilograms were turned into butter. The control of export butter is now in the hands of the Latvian Government, which operates in close harmony with the cooperative societies.

BULGARIA-RUMANIA

The agricultural cooperative societies of Bulgaria are nearly all affiliated with the General Union of Agricultural Cooperative Societies, which functions both as a financial and as a wholesale trading organization. The union has a total membership of 600,000. Its chief activities are the export of grain and the sale to its members of agricultural machinery, salt, oil, sugar, sulphate of copper, etc.

The rural cooperative supply and sale societies of Rumania are federated and comprise 2,820 societies, with 210,131 members.

CHAPTER IX

FARMERS' COOPERATIVES IN THE UNITED STATES

STATISTICS OF FARMERS' COOPERATIVE BUSINESS ORGANIZATIONS 1920-1935¹

DEVELOPMENT OF COOPERATIVE TYPES

IN THE hundred and more years during which American farmers have been seeking to improve their economic lot by united action various types of enterprises and kinds of technique have been developed. By trial and error it has been learned that different methods must be used for converting different products into dollars. For example, a marketing technique that is successful for citrus fruit may not be satisfactory for milk. As our commercial and industrial system has become more elaborate, the associations created by farmers for marketing purposes have become more varied in form, more complicated in structure, and more far-reaching in their objectives.

Among the important types of cooperatives evolved from experience, in the approximate order of their development, are the local association, the federation of local units, the terminal-market sales agency, the large-scale centralized association, the bargaining association, the regional or national sales agency, and the service association. These types differ from one another in the marketing functions performed, in organization structure, or in both. There is considerable blending of types so that it is not always possible to assert with finality to which type-group a particular association belongs.

The local association was the first of the several types of farmers' cooperatives to appear. Neighbors have always found it advantageous to work together for their mutual benefit. With the ap-

¹ Quoted, with permission, from "Statistics of Farmers' Cooperative Business Organizations," 1920-1935, by R. H. Elsworth, Farm Credit Administration, Cooperative Division, *Bulletin No. 6*, Washington, May, 1936, pages 1-8, 20-31, 43-61, 81-100.

pearance of thickly populated industrial centers, the advantages of united action in preparing products for market and in selling them increased in importance.

Among the earlier cooperative enterprises were the cheese factory and the local creamery. These converted milk, a perishable product, into products which were less perishable and which could be transported easily to the city with its many consumers. Later, fruits and vegetables were assembled in convenient units, graded, packed, and taken to market. Surplus livestock from several farms was assembled and driven to the cities; later, animals were collected for carload shipments to packing plants. The grain from the farms of the western prairies was delivered at farmer-owned elevators and sent on to the central markets in carload lots. It was found that the attention of wool buyers was more easily obtained when the fleeces from many farms were offered for sale as a single lot, hence the local wool pools. In the course of time there were local associations for the ginning of cotton, the assembling of fruits, vegetables, grain, livestock, nuts, eggs, poultry, and other products. The purpose in each instance was dual; first, to reduce the expense of handling the product by mass methods and, second, to obtain such price advantage as might be had from offering products in desirable market units. Nine-tenths of the now active farmers' organizations are local associations.

As producing areas remote from commercial and industrial centers were brought into production, the producer's problems of marketing became more complex and more exacting. The need for assembling products into car-lot shipments of uniform grade became imperative. The owners of citrus orchards in Florida and California found, early in their marketing experiences, that something more than the local shipping association was needed to bridge the distance between them and prospective consumers. After numerous trials a federation of local associations was evolved by the Florida citrus growers about 1886. The local associations usually continued to receive, sort, grade, pack, and load fruit as formerly, but the problems of transportation, locating markets, stimulating demand, making sales, attending to collections, arranging for and supervising the production credit required by growers, obtaining favorable and preventing unfavorable legislation, were delegated to the federation.

As a practical method for marketing products grown far from the place of probable consumption, the federation has become an

established part of the permanent structure of agricultural co-operation. Although developed originally by fruit growers, it is now employed in the marketing of creamery butter, cheese, poultry products, cranberries, potatoes, walnuts, and other products. The distinctive features of the federation are that it is democratic in origin, develops naturally from the bottom up, and is primarily engaged in marketing the products of its members. Since cooperative federations are based on the merging of already existing units, many variations in form and in practice occur.

National and Regional Terminal-Market Sales Agencies

The terminal market sales agency seems to be the third of the several types of cooperatives to become definitely established. The "great cattle growers" of Missouri, Nebraska, Kansas, Texas, Colorado, and New Mexico, finding that "neither grumbling nor legislation" would bring them better prices, organized the American Live Stock Commission Co. under the laws of Illinois in March of 1889. The company began business in May with headquarters at the Union Stock Yards, Chicago. Branch offices were established at the Omaha, Kansas City, and St. Louis terminal livestock markets.

A cooperative for selling livestock on commission operated on the Chicago, Ill., and Kansas City and St. Joseph, Mo., markets from May of 1906 through 1909. Seven hundred large-scale wool producers in the Rocky Mountain States organized the National Wool Warehouse & Storage Co. which began business at the Union Stockyards, Chicago, in 1909. The company functioned for approximately 15 years. The grain growers in the near and far Northwest set up organizations for selling their wheat on the terminal market in 1911. A sales agency for receiving and selling livestock, established at the Omaha stockyards in 1917, is still operating (1936).

Since the creation of these early agencies, more than a hundred similar enterprises have been formed. Among the products which have been or are now being marketed through cooperative sales agencies are cotton, dairy products, fruit, vegetables, grain, dry beans, eggs, and poultry.

Associations which are primarily sales agencies take whatever is consigned to them and market the same as advantageously as possible, making proper returns to those they serve. The difference between the federation and the sales agency lies in the relationship

to the producer. Most federations are interested in the harvesting, processing, grading, and packing of the products which they are expected to market. These agencies aim, through their member units, to maintain contact with those on the farms and ranches in order that the products may meet the demand of the market and, if possible, command premium prices.

While most sales agencies are located at terminal markets, a score or so operate on a regional basis and a few on a national basis. The membership of a national agency is frequently active cooperative organizations. These units may be local associations, large-scale centralized organizations, regional sales agencies, serving both locals and individuals, or federations of local associations. The national sales agency operates from the vantage point of the market, establishing itself in as many of the larger markets as practicable. Some agencies, in addition to serving their members, buy, hold, and sell limited quantities of products. Membership in some of these associations is acquired when products are consigned to them for marketing.

Seven national sales agencies were created in 1929 and 1930. Those for the marketing of cotton, grain, livestock, wool, fruits and vegetables, and pecans are still functioning and handling considerable quantities of the several products.

The centralized type of association was developed as early as 1892. In that year shipping associations in the Chautauqua grape belt, New York, disbanded and their members formed the Chautauqua and North East Grape Association with headquarters at Brocton, N. Y. The 2,000 members of the new association were under contract with a penalty for violation. Although the shipping area was divided into eight districts, sales were made from the central office. The marketing plan provided for daily pools for each grade of fruit. Shipments for the first year amounted to 1,836 cars, nearly 60 per cent of the shipments out of the grape belt. After three seasons the association was dissolved and local associations were again organized.

The Lima Bean Growers Association, Oxnard, Calif., incorporated in May 1909, was a direct membership organization and included the bean growers of six counties. It entered into contracts with its members and marketed beans on a "pooled" basis. Later local units were developed and the association was reorganized as a federation.

In 1912 the California Associated Raisin Co. was formed in

central California with the growers of a large producing area as members. The corporate name of the organization was changed to the Sun-Maid Raisin Growers in 1922 and later to the Sun-Maid Raisin Growers of California. The association continued as a centralized organization, in which membership was direct.

The large-scale centralized association differs but little in structure from the local association. In both the individual producer holds direct membership. Both receive, sort, grade, process, and load products for market. The local as a rule confines its activities to the area around a single shipping point, whereas the large-scale organization operates over a wide territory. The latter usually follows the products farther on the road to market than it is possible for the local to do. Not infrequently the large-scale association conducts extensive campaigns for the stimulation of consumer demand and for establishing advantageous relationships with dealers. In actual practice many variations as to form of organization are found.

Bargaining associations are the outcome of a special need. Certain products can be more satisfactorily handled when delivered directly from the farm to the manufacturer or distributor. In such cases the producers have found it desirable to form themselves into associations which have negotiated with the buyers as to prices for quantities and grades to be delivered during specified periods. The greater part of the fluid milk sold cooperatively is marketed in this way. Sugar-beet growers in Colorado, Utah, California, Wyoming, Montana, and Nebraska are also using bargaining associations in their marketing activities. In the bargaining association each individual member delivers his product in accordance with instructions from his association and receives the price which has been agreed upon by the officers of the association and the buyers. Among the many milk producers now being served by bargaining associations are those tributary to the cities of Boston, Hartford, New York, Philadelphia, Baltimore, Washington, Pittsburgh, Detroit, Chicago, St. Louis, Kansas City, San Francisco, Portland, Seattle, and many smaller cities. There are now more than 100 active associations. Most of these have been organized since 1921.

Service Associations

In addition to the cooperatives engaged directly in selling farm products, or buying farm supplies, there are several thousand service associations. These perform some of the marketing functions,

but not usually those of selling or buying, or they render services that are essential to the marketing and purchasing organizations, or to farmers and their families. Among the associations of this kind are plants strictly for processing; community warehouses; organizations for testing products and certifying as to quality; for conducting advertising and merchandising campaigns; for operating truck lines; providing insurance for farmers and farm property; for generating and distributing electric current; for constructing and operating drainage or irrigation canals; for owning and operating farm machinery; for constructing and operating mutual telephone systems; for supplying credit on a cooperative basis; for publishing house-organs, pamphlets, and books; and for supplying on a cooperative basis management service, auditing service, and financing service.

Contact locals are a form of service organization. They are frequently set up by large-scale centralized associations in order to facilitate democratic control. Their main function is to pass information from the associations to their members and vice versa. Many of these locals are charged with the responsibility of directly, or indirectly, electing delegates to the meetings of the associations at which directors are elected or policies formulated. Some of these locals are incorporated and in the case of at least one large-scale association provision is made for meeting certain of the expenses of its locals. The contact locals sponsored by some of the grain sales agencies are charged with originating business for the cooperative, for which service a commission is paid, or credited, to the local organization.

Within the last 3 years self-help cooperatives have come into prominence. Most of these have been organized or sponsored by relief agencies. Some of these associations are in the cities and some in the country. Those in the country have been largely engaged in truck gardening and canning for home use. A few have undertaken the sale of farm products.

PROGRESS OF FARMER COOPERATION

Here and there are reports of farmer-cooperative activity in various parts of the United States prior to 1863, the date of the oldest existing cooperative. Since that date the record is continuous but far from complete.

The first boom in the farmer-cooperative movement came during the depression of 1872-1877. The Grange (Patrons of Hus-

bandry), the oldest of the general farm organizations, had been formed in 1867. It was the intention of its founders that it be a fraternal order, but many farmers who found themselves caught in the depression following the panic of 1873 turned to the new organization in an effort to lessen the distressing consequences of economic maladjustments. In 1873, 8,667 local granges were organized and the following year, 11,941. Considerable collective buying was undertaken by these units, and cooperative stores were promoted in the North Central States. In the South the State granges gave attention to the marketing of cotton. Cooperative grain marketing was undertaken in California, and a cooperative bank was established in San Francisco. With the passing of the period of stress, interest in cooperative activities waned.

There was a farmers' elevator movement in the grain States to the west of the Mississippi River in the eighties. During the nineties the citrus-fruit growers evolved a technique for the cooperative marketing of their products. Beginning with the new century local associations were organized at the rate of more than 100 a year. This movement reached its peak in 1920, and during that year nearly 1,800 farmers' marketing associations were formed.

The year 1920 seems to mark the close of one era and the beginning of a new one. The farmer was in distress because of a post-war slump in the prices of the things he had for sale. During the years 1920 to 1924 an intensive campaign in behalf of large-scale centralized cooperatives was conducted by enthusiastic organizers. Not less than 600,000 farmers were interested in cooperation for the first time. They signed "iron-clad" marketing agreements and delivered cotton, wheat, potatoes, and other products to be sold on a "pool" basis, believing that with control of the marketing of large quantities of a product, determination of price was in their hands. By 1925 the campaign had spent its force, and during the succeeding years the movement declined rapidly.

Continued financial distress among farmers during the late twenties resulted in the Agricultural Marketing Act of 1929. Cooperative marketing again became of great interest and during the next few years, large-scale national or regional cooperatives were formed for the marketing of grain, livestock, cotton, wool, beans, sugar beets, dairy products, poultry, eggs, and pecans.

During the last 3 years, attention has centered largely on the

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perfecting of existing associations and improving operating practices. . . .

COTTON COOPERATIVES

Cooperative cotton marketing seems to have received its initial start from the Patrons of Husbandry, better known as the "Grange," which as stated above was founded as a farmers' fraternal order in 1867. The distress accompanying the depression of 1873-1877 caused cotton farmers to turn to the newly organized State granges for assistance. Later the Farmers Alliance and still later the Farmers Union concentrated upon the problems of the cotton farmer. Organizations of many kinds were tried out in an effort to improve the economic condition of the cotton producer.

The large-scale cooperative cotton-marketing associations as they exist today had their beginnings in 1920. In April of that year at a South-wide convention at Montgomery, Ala., a plan was presented which provided for State-wide centralized associations for receiving, handling, and selling cotton on a cooperative basis. Although this plan was not accepted by the convention, the cotton growers in two States were soon organizing along lines similar to those suggested.

The first regional cotton-marketing association formed was the Oklahoma Cotton Growers' Association, which was incorporated April 26, 1921, and received its first bale August 18 of the same year. The second such organization was the Staple Cotton Cooperative Association, incorporated May 23, 1921. Similar organizations were set up in Arizona, Texas, and Arkansas before the close of 1921. In 1922 centralized associations were incorporated in North Carolina, South Carolina, Georgia, and Alabama. In 1923 cotton producers formed associations in Louisiana, Mississippi, Tennessee, Missouri, and the following year in Illinois.

An overhead organization to coordinate the activities of the State associations and to function as a central sales agency was formed in 1921, under the name of American Cotton Growers Exchange, with headquarters at Dallas, Tex.

Since 1921 there have been reorganizations of several of the State associations and the central association; there have been consolidations, and six of the early associations have gone out of business. Marketing policies have changed from time to time as experience has indicated the desirability of such changes. Fourteen of the existing large-scale associations are members of the Amer-

ican Cotton Cooperative Association, New Orleans, La., which has served as a coordinating and sales agency for the member associations since 1930.

The most important of the objectives of the American Cotton Cooperative Association are to provide central marketing facilities with sales service in the principal foreign and domestic cotton consuming centers, to operate a central financing system, and to conduct educational work concerning the value of cooperative marketing. It assumes full responsibility for classing cotton and controls the transportation, warehousing, insurance, hedging, accounting, and other services. The functions of the regional and State associations are confined largely to the execution of operating policies, membership relations, issuing house-organs, and operating jointly with the American Cotton Cooperative Association the cotton-assembling system.

The large-scale and regional cotton-marketing associations have handled 19,554,784 bales of cotton, which is 10 per cent of the total bales ginned for the 15 crops beginning with that of 1921 and including 1935. . . .

ASSOCIATIONS MARKETING DAIRY PRODUCTS

Cooperation in the processing and marketing of dairy products is one of the oldest of producer cooperative activities. This must have been because in the early days the cooperation of neighboring farmers was essential to securing enough milk to make cheese. The cheese factory perhaps suggested the creamery. Available records indicate that cheese was made cooperatively at Goshen, Conn., and South Trenton, N. Y., as early as 1810. A factory was established in Wisconsin about 1840 and in Ohio about 1848. The Jesse Williams factory in Oneida County, N. Y., was established in 1851. Cooperative butter making seems to have started with a factory in Orange County, N. Y., in 1856.

The oldest association reporting to the Federal Government in 1925 was the Cayudatta Cheese Factory, Fonda, N. Y., organized in 1863. In 1931 there were 68 creameries and cheese factories formed before 1890 reporting to the Cooperative Division.

Among the early federations of associations marketing dairy products are the Tillamook County Creamery Association, Tillamook, Oreg., formed in 1909; the Wisconsin Cheese Producers Federation (now Wisconsin Cheese Producers Federation Coop-

erative), Plymouth, Wis., 1913; United Dairy Association of Washington, Seattle, Wash., 1918; and the Minnesota Cooperative Creameries Association, Inc. (now Land O'Lakes Cooperative Creameries, Inc.), St. Paul, Minn., 1921. . . .

Active associations handling dairy products numbered 2,300 at the close of 1934. These associations had an estimated membership of 750,000 and their business transactions amounted to \$440,000,000. Seventy-one per cent of these associations were in Wisconsin, Minnesota, and Iowa. This group had 38.1 per cent of the total membership. The associations with headquarters in New York State transacted 19 per cent of the total cooperative business in dairy products. . . .

The creamery group, with 1,388 associations, is the largest of the five. It had in 1934-35, 58.2 per cent of the total membership and transacted 38 per cent of the total business. There were 617 associations engaged in making cheese, 110 in distributing milk, 87 in bargaining as to price, and 98 associations in the miscellaneous group.

ASSOCIATIONS MARKETING FRUITS AND VEGETABLES

The cooperative marketing of fruits and vegetables has been continuous since 1867. In that year the Fruit Growers Union and Cooperative Society, Hammonton, N. J., was formed. Selling and shipping fruit was its principal activity, although various kinds of merchandise were handled. The association was active for 30 years.

An association for assisting New Jersey cranberry growers was formed in 1872 and the handling of dried fruits was undertaken by the California State Grange during the early seventies. The first association on record for handling citrus fruit was organized under Farmers Alliance leadership in Florida about 1885. Local associations for handling oranges began to appear in Southern California at about the same time and in 1891 the Fruit Growers Union of Southern California was organized.

Cooperative potato and produce marketing in Virginia started with the Eastern Shore of Virginia Produce Exchange, Onley, Va., organized in 1900. Apple marketing by western producers on a cooperative basis was begun by a forerunner of the present Apple Growers Association, Hood River, Oreg., about 1893. The Yakima County Horticultural Union, a boxed-apple cooperative, dates its existence from 1903.

Cooperatives for handling fruits and vegetables have a high rate of mortality. Data compiled in 1932 indicate that 52 per cent of the 3,046 associations for which there were records, were "out of business," and that 68 per cent of these "out of business" associations functioned from 1 to 5 years.

There were 1,082 active fruit and vegetable associations at the close of the 1934-35 marketing season. Every State except Rhode Island had one association or more. Approximately 29 per cent of all the associations were in California and 9 per cent in Florida. The California associations had 23 per cent of the total membership and handled 54 per cent of the total business. The Florida associations had 5 per cent of the membership but reported 8.5 per cent of the total fruit and vegetable business. . . .

About 300 of the fruit and vegetable associations are engaged in handling citrus fruit. These associations handle from 50 to 66 per cent of the total citrus crop "sold or for sale." Associations in California and Arizona handle about 90 per cent of the production for the two States. Texas associations are now handling about 20 per cent of the Texas crop and the associations in Florida from 20 to 32 per cent of the Florida crop.

GRAIN-MARKETING ASSOCIATIONS

. . . Cooperative grain marketing is a story of bitter contests, defeats, and victories. For nearly 80 years farmers have been struggling for the right to market their own grain. They have developed various types of marketing agencies during this period.

As early as 1857 Wisconsin farmers formed the Dane County Farmers' Protective Union because of unsatisfactory marketing conditions. A building was erected to which the members delivered grain. The manager, however, sold the grain and departed with the proceeds, later fire destroyed the building. Iowa farmers 10 years later established a local elevator at Blainstown, which operated for several seasons.²

With the rise of the Grange in the early seventies many efforts were made to improve grain marketing conditions through collective action. The California State Grange arranged for the handling of wheat on a commission basis. Seventeen cargoes were shipped in 1874 and 15 more would have gone forward had not bankruptcy overtaken the commission firm. The State grange then

² Gardner, Chastina. "Beginnings of Cooperative Grain Marketing." By U. S. Fed. Farm Board Prelim. Rept., 24 pp., 1932. (Mimeographed.)

sponsored the Grangers Business Association for handling farm products and purchasing farm supplies. This was active for 20 years or longer.

Farmers' Elevator Movement

During the eighties grain growers turned their attention toward the establishment of local farmers' elevators. A technique of operation was developed, and from that time until 1922 the number of such enterprises increased each year. There were probably more than 4,000 active elevator associations in 1922. These were largely in Illinois, Iowa, Kansas, Nebraska, North Dakota, Minnesota, South Dakota, Ohio, and Missouri. Since that year the number of active local associations has declined year by year until there were in 1935 only about 3,100. New associations are being formed in some parts of the country which fact is likely to counteract the downward movement. The States in which the greatest net declines have occurred are Missouri, Indiana, Ohio, North Dakota, and Nebraska.

In a few instances, farmers' elevators have been grouped under single managements in order to obtain the economies of large-scale operation and to compete better with the line-elevator systems of the private dealers. One of the early organizations of this type is the Farmers Grain Co., Devils Lake, N. Dak., organized in 1905. The company is now operating 18 local elevators. A similar organization with 12 local elevators was formed at Aberdeen, S. Dak., in 1911. The Federal Trade Commission, in its survey of 1920, found 106 elevators and warehouses that were units of groups. Thirty-seven of the total were in Kansas where associations had been organized to serve entire counties, as many elevators as needed being established in each county.³

Reports from 874 associations relative to quantities of grain handled during the 1934-35 marketing season have been received by the Cooperative Division. Owing to the few reports received for some States, considerable care must be exercised in using the data. The averages for those States credited with 50 or more reports are probably fairly dependable. It is believed reasonable to conclude from the sample data that the farmers' local grain marketing associations handled approximately 300,000,000 bushels of grain during the 1934-35 marketing season. . . .

³ U. S. Federal Trade Commission, "The Grain Trade," vol. I, illus., 1920. See p. 328.

Farmers' Grain-Dealers Associations

In most of the grain-producing States the farmers' elevator associations formed State associations to protect their common interests. The first of these was the Nebraska Farmers Grain Dealers Association, formed January 22, 1903. A few weeks later a similar organization was set up in Illinois. By 1919 there were nine additional associations, and in 1926 there were State associations for Colorado, Illinois, Indiana, Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, Ohio, Oklahoma, and South Dakota. A national association was organized in 1912 with the State associations as members. There were in 1935, 12 associations in 11 States, divided into 2 groups, each with a coordinating national organization.

These State associations do not handle grain, but are trade associations that act as service and coordinating agencies for their member local associations. From time to time different services in the interest of their member elevators have been undertaken. These include assistance in organization, in bonding managers, in transportation problems, elevator insurance, cooperative purchasing, auditing, legal advice, income-tax service, and handling claims and adjustments. Annual meetings are held at which the managements of the local associations formulate policies.

Terminal-Market Sales Agencies

Terminal-market sales agencies date from 1911 when two such associations were incorporated. One of these was created by the members of the Society of Equity in the States tributary to Minneapolis; the other was formed by members of the Farmers Union whose grain went chiefly to Portland and Seattle. Both operated for 10 years. From time to time since 1911, 35 farmers' organizations for selling grain on the terminal markets have been in operation.

The Wheat-Pool Movement

The wheat-pool movement extended over the years 1920 to 1931. The first organization of this kind was the Washington Wheat Growers Association, incorporated in 1920. The pool associations were large-scale centralized organizations with wheat producers as direct members. The plan of operation contemplated returning to each producer the average price received for the grade of product delivered, less necessary operating expenses.

Following the organization of the Washington pool similar enterprises were set up in Idaho, Kansas, Montana, Oklahoma, Oregon, Colorado, Nebraska, North Dakota, Texas, South Dakota, Minnesota, and Indiana. Eleven pools active in 1925 reported 96,800 members. During the 10 years that the pools were operating a total of 187,365,712 bushels of wheat was marketed.

National Sales Agencies

Terminal-market sales agencies suggested grain marketing on a national basis. The first serious effort in this direction had its start in a 2-day marketing conference, attended by several hundred representative farmers, in Chicago in July of 1920. A committee of 17 was appointed to suggest a plan of procedure. Following 7 months of study, the committee reported and its recommendations were approved at a national ratification conference in Chicago, April 6-8, 1921, whereupon the U. S. Grain Growers, Inc., was created as a nonstock, nonprofit association to (1) stabilize prices by steady marketing, (2) eliminate short selling and manipulated markets, (3) merchandise grain products, (4) export or pool for export, (5) furnish credit through a subsidiary finance corporation, (6) clean, mix, regrade, and condition the farmers' grain, (7) eliminate unnecessary and duplicate freight and handling charges, and (8) prorate the savings back to the farmer. Offices were opened in Chicago. The association had contracts signed by 63,031 individual producers by September of 1923. The first car of grain was received December 4 of that year. Three more cars of wheat, one car of oats, and three of corn were received before the association ceased operations in 1924.

A second national sales agency, Grain Marketing Co., began business August 5, 1924, and continued for a year. Its president reported that it handled 240,000,000 bushels of grain. It was well financed, managed by experienced men, and successful from an operating standpoint, but it was operated for the benefit of grain producers, who had little part in the management and failed to support the enterprise.

A third effort was the National Farmers' Elevator Grain Co., Cooperative, incorporated May 1, 1925, with 92 farmers' elevators in Illinois and Iowa as stockholders. Eventually, 227 farmers' elevators and 36 private shippers were affiliated with the company. Through a subsidiary, the Rural Grain Co., two seats were obtained on the Chicago Board of Trade. The company also

operated upon the Milwaukee, St. Louis, Peoria, and Cedar Rapids markets. It began business on April 1, 1927, and by October 31, 1928, had handled over 5,812,300 bushels of grain. It ceased operation following the bankruptcy of its subsidiary.

The fourth effort to establish a country-wide sales agency for marketing grain resulted in the organization of the Farmers National Grain Corporation in 1929. The enterprise was built upon 27 large-scale grain marketing organizations. Some of these were terminal market sales agencies, some were wheat pools, and some were regional organizations serving groups of farmers' elevators. Federal money was loaned the corporation in order that it might be sufficiently financed for large-scale operations. The corporation has branch offices at the principal grain markets. During the 1934-35 marketing season it handled 82,143,681 bushels of grain and considerable quantities of beans and seeds.

There were 3,125 associations for the handling of grain listed with the Cooperative Division at the close of the 1934-35 marketing season. These associations were located principally in the North Central States. They had an estimated membership of 580,000 and their business transactions for the marketing season amounted to \$315,000,000. Illinois was the leading State as regards the co-operative marketing of grain with Iowa second in importance.

The number of active large-scale grain-marketing associations has varied since 1921 from two for the 1921-22 season, to 29 for the 1932-33 season. The two associations handled more than 14,000,000 bushels of grain in 1921-22, and the 29 more than 186,000,000 bushels in 1932-33. There were 26 large-scale associations functioning during the 1934-35 marketing season. This number included Farmers National Grain Corporation, the regionals affiliated with the corporation, and the regionals operating independently of it. The 26 associations were located in 21 markets, and handled nearly 105,000,000 bushels of grain, valued at \$92,588,604, during the 1934-35 season. Of the total grain handled, 58.6 percent was wheat. This wheat constituted about 18 percent of that portion of the 1934 crop which was "sold or for sale" . . .

LIVESTOCK-MARKETING ASSOCIATIONS

Livestock producers have been cooperating in marketing and purchasing for more than 150 years. In the latter part of the eighteenth century farmers assembled their cattle in herds for driving

to the markets along the Atlantic coast. Welsh settlers near Granville, Ohio, organized the Licking Exporting Co. in 1820; animals were driven to Sandusky, Ohio, slaughtered and packed for shipment by boat to Montreal. About 1860, 17 farmers in Bureau County, Ill., organized for selling hogs at auction.

Available records indicate that the Goodlettsville Lamb and Wool Club, Goodlettsville, Tenn., is the oldest of the existing organizations for selling livestock cooperatively. The club was formed, about 1877, because farmers were dissatisfied with the flat-price system of the drovers who bought at the farms. Producers brought their lambs to town on a fixed date. A committee sorted and graded the animals and each lot was sold to the highest bidder.

The first of the shipping associations, which have been an important factor in livestock marketing since 1915, seems to have been the Farmers Shipping Association, Superior, Nebr., organized in 1883 by farmers on both sides of the Nebraska-Kansas line. The first car of livestock was sent to market in January of 1883.

As early as 1889 an effort was made to establish cooperative selling at the terminal markets. The American Live Stock Commission Co., with an authorized capital of \$100,000, was formed with the State Farmers Alliance of Kansas, Nebraska, and Missouri, and the Kansas State Grange among the shareholders. The company began business in May 1889. Operating offices were opened on the Chicago, Kansas City, St. Louis, and Omaha markets. During 1890, 327,884 animals were handled and selling commissions amounted to \$101,347. Because of difficulties with regard to membership in the livestock exchange the cooperative closed its doors about December 1, 1890.

A second attempt at cooperative selling on the terminal markets was made in 1907 by the Cooperative Live Stock Commission Co., which began business at the Chicago and Kansas City yards on September 1, and later at the South St. Joseph yards. Despite bitter opposition from private interests business was continued to the close of 1909. The first of the existing cooperative associations for selling livestock on the terminal markets was the Farmers Union Live Stock Commission established at the Omaha stock-yards in 1917.

Cooperative livestock shipping associations increased rapidly during the period from 1915 to 1924. Since 1924 there has been a decline in number of associations, in membership, and in number of animals handled. This has been because of several factors, in-

cluding increased facilities available to individual farmers for reaching the terminal market, the establishment in producing areas of concentration yards at which sales are made, and an increase in direct buying by packers.

Terminal Marketing Agencies

The marketing of livestock through terminal sales agencies has been increasing since 1917 when the first of the existing agencies was organized. At the close of 1922 there were 16 agencies operating which handled that year more than 4,800,000 animals. The average number of animals handled during the 5-year period, 1930-1934 inclusive, was 13,265,875. By the close of 1934 there were 44 agencies. . . .

There are two cooperatives engaged in operating plants for slaughtering, processing, packing, and marketing meat. The Fergus Cooperative Packing Co., Fergus Falls, Minn., was organized in 1919. In 1933 about 2,000 Michigan farmers who had been persuaded to take stock in a packing plant found it necessary, if they were to save their investment, to take over the plant. As a result they formed the Detroit Packing Co., a Michigan cooperative corporation.

There were 1,197 farmers' associations of all kinds handling livestock at the close of 1934. These associations had an estimated total business for the year amounting to \$175,000,000. Ninety-two per cent of the associations were in the 12 North Central States. These associations were credited with 89 per cent of the total business. . . .

TOBACCO-MARKETING ASSOCIATIONS

Cooperative tobacco marketing seems to have first developed during the depression of 1873. A few warehouses were built in Kentucky under grange leadership; tobacco growers in West Springfield, Mass., held a meeting at which they decided to sell direct to the manufacturers.

A second movement toward cooperative marketing occurred in 1902-1904. Twenty local associations in Wisconsin built warehouses to handle the annual crops. Associations were also formed in Tennessee and Kentucky. The American Society of Equity lent its aid by building warehouses for storage. The Planters' Protective Association, formed in the Dark Tobacco district of Tennessee and Kentucky, operated for 10 years. During this time the asso-

ciation handled from 30 to 40 thousand hogsheads of tobacco annually.

The third wave of interest in the cooperative marketing of tobacco came with the close of the World War. The Maryland Tobacco Growers Association was organized in 1906 and began operating in 1919. The depression of 1920 carried the price of tobacco to a low level and growers again turned to the idea of cooperative marketing. With the aid of bankers, businessmen, and others, vigorous membership campaigns were conducted in behalf of large-scale centralized associations. During 1921, 1922, and 1923, six associations with a combined membership of approximately 280,000 were formed. Three of these were larger than any cooperatives heretofore organized in America. The members were under ironclad contracts to deliver tobacco for 5 or 6 years. Seven associations received more than 700,000,000 pounds of the 1923 tobacco crop, 46.2 percent of the total crop.

The larger of the large-scale associations operating in Virginia, North Carolina, South Carolina, Tennessee, and Kentucky acquired facilities, such as packing sheds, warehouses, and redrying plants, for handling the tobacco delivered by the members. After 1923 a smaller quantity of tobacco was received by the associations each year and following the expiration of the 5-year and 6-year contracts less than 2 percent of the total crop was delivered to the associations.

There was a revival in interest in cooperative marketing in 1930. Five thousand producers in South Carolina formed an association with headquarters at Florence. Two associations were started in southern Virginia and several in Tennessee and Kentucky. Seven associations handled nearly 60,000,000 pounds of tobacco of the 1931 crop.

There were 16 associations operating during the 1934-35 marketing season. Two of these, the Maryland Tobacco Growers Association, Baltimore, Md., and the Northern Wisconsin Cooperative Tobacco Pool, Madison, Wis., have been active for 16 and 13 years, respectively. Seven associations operating on a large scale handled more than 61,000,000 pounds of the 1934 tobacco crop. The 16 associations reported a membership estimated at 50,000 and transacted business amounting to more than \$7,500,000 during the 1934-35 marketing season.

The most recent development in cooperative tobacco marketing is the Farmers' Cooperative Tobacco Manufacturing Association, Inc., Danville, Va., which is manufacturing the tobacco delivered

by its members into cigarettes. The association was organized in 1932 and has 450 members.

WOOL AND MOHAIR COOPERATIVES

Farmers and ranchmen have cooperated in selling their annual clips of wool for many years, probably for a much longer time than available information indicates. The almost nonperishability of the product, making hurried marketing unnecessary, has favored joint marketing enterprises which include the fleeces from many producers. The larger lots of wool have generally attracted more buyers, and hence a better market for the seller.

Practically all the early attempts to handle wool cooperatively were local efforts, made with little, if any, thought of serving the producers of more than a small area. Many were informal organizations coming into existence when wool shearing began and continuing until the clip was sold. Membership included all who desired to participate.

One of the earliest organizations for which definite information is available is the Goodlettsville Lamb and Wool Club, Goodlettsville, Tenn., formed in 1877. The club undertook to eliminate the evils of farm-to-farm buying by private dealers, by assembling the lambs and wool in pools in order to attract a greater number of buyers and develop competition. This activity has continued until the present, about 8,000 pounds of wool being assembled each year.

The Putnam County Wool Growers Association, Greencastle, Ind., was formed in 1885 and continued until 1931. Any farmer who wished to list wool for sale could do so. Each lot was handled separately, the cooperation being mainly in the "listing" and in efforts to attract buyers.

Seven hundred wool producers in Montana, Idaho, Wyoming, Colorado, and Utah set up a terminal-market sales agency, the National Wool Warehouse & Storage Co., in Chicago in 1909. Wool was received for storage or for sale on consignment; sacks and twine were purchased for patrons. The company operated until 1923, when it was succeeded by the National Wool Exchange with headquarters in Boston. This latter association gave way in 1929 to the present National Wool Marketing Corporation. . . .

COOPERATIVE PURCHASING OF FARM SUPPLIES

For many years farmers have banded in small and large groups for obtaining needed supplies. The earliest association for which

the Cooperative Division has information in its files was organized in 1863, at Riverhead, N. Y. This association has 55 members and reported business to the amount of \$25,000 for 1934-35. A second association at Fontana, Kans., was formed in 1872. During the depression years of the early seventies, hundreds of newly organized subordinate granges directed their attention to cooperative buying. Among the grange stores still active is one at North Jay, Maine, which had 340 members in 1934.

Beginning in 1905, according to the records of the Cooperative Division, the number of associations for cooperative buying increased steadily until 1922, when there were approximately 1,500 active organizations. Each year from 1923 to 1925 there was some decline in the number of associations. Since 1925 there has been an increase in the number of functioning organizations.

Cooperative Purchases by Farmers

The changes in cooperative purchasing during the decade from 1919 to 1929 are revealed by data collected in the agricultural censuses of 1919, 1924, and 1929. Approximately 330,000 farmers, 5.1 percent of those included in the census of 1919, reported the purchase of supplies to the value of \$84,600,000. Five years later 5.7 percent of the farmers were buying from, or through, cooperatives but the amount of such business had dropped to \$75,970,000, partly because of a change in the price level. By 1929 the percentage of farmers reporting cooperative buying had risen to 6.5 percent, and the amount of the purchases to \$125,000,000. Part of this increase was, of course, due to a higher price level.

The percentage of all farmers purchasing cooperatively increased in 33 of the 48 States and decreased in 14 during the 10-year period. In Oklahoma the percentage in 1929 was the same as in 1919. The States which showed a consistent gain from 1919 to 1924 and from 1924 to 1929 were New Hampshire, Massachusetts, Connecticut, New York, Ohio, Indiana, Illinois, Michigan, Louisiana, Nevada, Oregon, and Washington. In three States, North Carolina, Nebraska, and Colorado, there was a decline in percentages for both 5-year periods.

More than 15 percent of the farmers in Michigan, Minnesota, Iowa, and Washington were buying cooperatively in 1929. In nine States, Maine, New Hampshire, Massachusetts, Rhode Island, New Jersey, Delaware, West Virginia, Alabama, and Mis-

Mississippi more farmers were buying cooperatively than were selling cooperatively in 1929.

. . . In 783 counties, more than 10 percent of the farmers reported buying from or through cooperatives; in 257 counties, more than 20 percent; in 86 counties, more than 30 percent; in 28 counties, more than 40 percent; and in 7 counties, more than 50 percent. . . .

Active Purchasing Associations

Data collected by the Cooperative Division indicates that there were 1,906 active associations in 1934-35 marketing season, with an estimated membership of 790,000, and that business to the amount of \$187,000,000 was transacted. More than 60 percent of the associations, with about two-thirds of the total membership, were located in the 12 North Central States. About one-half of the total amount of cooperative buying is credited to these associations.

Between a fourth and a third of the buying associations are primarily engaged in the distribution of petroleum products.

The States with the larger number of associations were Minnesota, Wisconsin, New York, and Nebraska. Ranked according to membership, the leading States were Minnesota, Illinois, Indiana, Massachusetts, Wisconsin, Iowa, and Nebraska. New York led all the States in the value of supplies purchased, with Massachusetts second, and Minnesota and California in third and fourth places, respectively. . . .

In addition to cooperative buying by associations set up for that specific purpose, approximately 40 percent of the marketing associations are engaged in buying supplies for their farmer members. Considerable quantities of fertilizer, dairy and poultry feeds, seeds, containers, coal, and petroleum products are purchased. It is estimated that this side-line activity amounted to \$90,000,000 during 1934-35. The sum total of cooperative purchasing by farmers through marketing and purchasing associations is estimated at more than \$250,000,000.

ASSOCIATIONS PROVIDING BUSINESS SERVICES

There are, in addition to the farmers' associations engaged in marketing farm products and purchasing farm supplies, several thousand organizations for furnishing essential business services to those in agriculture. These associations consist of groups of farm-

ers organized for the purpose of working together in various production operations, for providing themselves with credit on a cooperative basis, for carrying their insurance risks cooperatively, for providing themselves on a cooperative basis with telephone service, electricity for light and power, and with transportation for the movement of crops to market and supplies to farms.

Among the cooperatives for aiding in production are 793 (1934) herd improvement associations and 351 associations for the joint ownership of bulls. There are associations for the ownership of farm machinery such as threshing machines, silo-filling outfits, and machinery for terracing to prevent soil erosion. Frequently the cooperatives operate the machines as well as own them. About 40 associations for the prevention of erosion have been formed within the last 2 years.

There are 2,000 or more associations for the purpose of irrigating or draining farm land. These are located largely in States to the west of the Mississippi River.

Farm Credit Associations

Credit is one of the pressing needs of the farmer, particularly for the purchase of land, the erection of buildings, the production of crops, the marketing of products, and the purchase of farm supplies. For his assistance in meeting these needs, a comprehensive system has been developed. This system, under the supervision of the Farm Credit Administration, includes farm-loan associations through which the farmer can borrow for land and buildings, production-credit corporations to loan for production purposes, and banks for cooperatives to provide loans for marketing purposes and the purchase of farm supplies. There are approximately 5,000 farm-loan associations, with farmers as members and officers, 559 production-credit associations. Twelve Federal land banks provide funds loaned through national farm-loan associations. A like number of Federal intermediate credit banks serve as banks of discount for production-credit associations and other financing institutions, while 12 district banks for cooperatives and a central bank in Washington, D. C., provide credit for cooperatives.

Loans by the banks for cooperatives through December 31, 1935, were \$133,863,143, and total loans outstanding on that date were \$50,013,329.

More than 1,100 credit unions have been chartered by the

Farm Credit Administration since the passage of the Federal Credit Union Act in June, 1934. These Unions, with more than 3,000 chartered under State statutes, have a total membership in excess of 1,000,000 and report savings amounting to approximately \$100,000,000.

Farmers' Mutual Fire Insurance Companies

Farmers' mutual insurance companies have been in operation for more than a century. The early companies provided coverage for farm buildings against fire. Today there are farmers' companies for supplying windstorm insurance, hail insurance, livestock insurance, automobile insurance, employees' liability insurance, and life insurance. Thought is being given to the possibilities of insurance against crop failure. Approximately 1,900 farmers' mutual fire insurance companies are operating.

Cooperatives for Supplying Light and Power

There are perhaps 50 farmers' associations for supplying their members with electricity for light and, or, power on a cooperative basis. A few associations have set up their own power plants, but more frequently current is bought at wholesale from existing utility companies and cooperative methods used in the construction and upkeep of a system for distributing the current.

Formal and informal farmers' telephone systems operated on a cooperative basis are numerous in many rural sections. Some of these systems are complete with switchboard and trunk lines, others tie in with urban companies upon which they depend for switchboard and long distance service. There are several thousand of these farmers' mutual companies.

Cooperative Trucking Associations

A comparatively recent development in the farmer cooperative service field is the trucking association. These have been organized by those interested in moving crops to market as economically as practicable and in bringing to the farms supplies needed for carrying on production. Milk producers and livestock producers have been active in setting up such organizations. A rough estimate is that there are more than a score of operating associations.

Several associations have been formed by groups of cooperatives for furnishing auditing service on a cooperative basis. There is at least one cooperative for supplying local associations with management service.

FARMERS' MARKETING AND PURCHASING ASSOCIATIONS²
 NUMBER,¹ ESTIMATED MEMBERSHIP,^{2,3} AND ESTIMATED BUSINESS,³ BY SPECIFIED GROUPS, GEOGRAPHIC DIVISIONS,
 AND STATES, 1938-39 MARKETING SEASON

Geographic Division and State	Cotton and Cotton Products			Dairy Products			Fruits and Vegetables		
	Associations Listed	Estimated Members	Estimated Business ⁴ 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars
United States.....	Number	Number	1,000 dollars	Number	Number	1,000 dollars	Number	Number	1,000 dollars
476	315,000	73,000	2,373	51	26,570	610,000	1,116	168,000	273,000
<i>New England:</i>									
Maine.....					400	250		500	1,150
New Hampshire.....				3	420	810		50	100
Vermont.....				30	6,300	9,000			
Massachusetts.....				10	16,000	25,000		900	5,500
Rhode Island.....				1	1,200	1,500			
Connecticut.....				4	2,250	5,300		180	140
<i>Middle Atlantic:</i>									
				110	75,100	119,010		8,800	14,130
New York.....					51,000	91,700		5,500	5,000
New Jersey.....				74	100	310		2,000	3,030
Pennsylvania.....				34	24,000	27,000		1,300	6,100
<i>East North Central:</i>									
				913	200,000	202,500		15,310	15,510
Ohio.....					26,000	21,500		2,100	4,540
Indiana.....				39	19,000	15,000		1,150	530
Illinois.....				25	59,000	66,000		760	540
Michigan.....				84	38,000	36,000		9,500	7,870
Wisconsin.....				65	58,000	64,000		1,800	2,030
				700					

² Quoted with permission from "Statistics of Farmers' Marketing and Purchasing Cooperatives, 1938-39 Marketing Season," by R. H. Elsworth, *Misc. Report No. 21*, Farm Credit Administration, Washington, February, 1940.

West North Central:

Minnesota.....				1,074	256,300	150,330	78	11,570	9,060
Iowa.....				631	89,000	80,000	24	4,000	1,350
Missouri.....				280	65,000	40,000	6	650	190
North Dakota.....				15	24,000	10,500	31	3,500	2,400
South Dakota.....				34	7,100	2,310	6	370	240
Nebraska.....				51	17,000	4,670	2	570	1,120
Kansas.....				47	48,000	8,550	6	2,400	3,560
				16	6,200	4,300	3	80	200
	14	42,100	4,630	35	6,710	20,210	152	16,680	28,210

South Atlantic:

Delaware.....									
Maryland.....									
District of Columbia.....				4	4,300	12,400	8	1,150	1,270
Virginia.....				11	1,300	2,870	25	3,170	2,280
West Virginia.....				2	30	250	2	30	350
North Carolina.....	3	3,500	1,570	7	420	910	11	1,900	350
South Carolina.....	1	7,400	600					820	1,350
Georgia.....	6	31,000	2,440	7	560	1,350	14	4,600	1,600
Florida.....	4	200	20	4	100	2,430	82	5,000	21,000
	55	90,400	20,510	15	4,550	4,300	47	8,630	2,660

East South Central:

Kentucky.....									
Tennessee.....				3	1,600	2,150	15	5,000	1,150
Alabama.....	2	50,000	5,750	9	2,100	1,650	11	1,000	280
Mississippi.....	7	8,400	1,760				15	2,000	890
	46	32,000	13,000	3	850	500	6	630	340

¹ Includes independent local associations, federations, large-scale centralized associations, sales agencies, independent service-rendering associations, and subsidiaries whose businesses are distinct from those of the parent organizations.
² Includes members, contract members and shareholders, but does not include patrons not in these categories.
³ Estimated membership and estimated business for each association is credited to the State in which the association has its headquarters.
⁴ Includes some government loan cotton.
⁵ About 80 percent of the membership is in Arkansas, 15 percent in Tennessee, and 5 percent in Missouri.

FARMERS' MARKETING AND PURCHASING ASSOCIATIONS (Continued)

Geographic Division and State	Cotton and Cotton Products			Dairy Products			Fruits and Vegetables		
	Associations Listed	Estimated Members	Estimated Business ⁴ I,000 dollars	Associations Listed	Estimated Members	Estimated Business I,000 dollars	Associations Listed	Estimated Members	Estimated Business I,000 dollars
	<i>Number</i>	<i>Number</i>	<i>I,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>I,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>I,000 dollars</i>
<i>West South Central:</i>									
Arkansas.....	394	180,100	43,780	22	19,080	6,590	83	10,450	7,920
Louisiana.....	2	100	1,230				27	3,000	1,140
Oklahoma.....	6	35,000	9,000	2	1,950	150	25	4,000	2,300
Texas.....	88	38,000	5,550	15	7,130	2,840	2	300	40
	298	107,000	28,000	5	10,000	3,600	29	3,150	4,440
<i>Mountain:</i>									
Montana.....	8	1,100	580	53	30,390	11,750	96	38,930	30,210
Idaho.....				11	1,500	740	5	4,500	6,250
Wyoming.....				13	23,000	7,200	20	11,000	5,320
Colorado.....				8	700	600	3	600	1,470
New Mexico.....	7	1,000	550	10	1,730	760	31	11,700	10,990
Arizona.....	1	100	30	3	460	1,050	2	190	60
Utah.....				8	3,000	1,400	6	740	970
Nevada.....							29	10,200	5,150
<i>Pacific:</i>									
Washington.....	5	1,300	3,500	100	31,300	53,450	478	56,000	158,350
Oregon.....				29	15,000	15,000	61	8,000	14,450
California.....	5	1,300	3,500	38	8,700	8,700	50	9,000	12,500
				33	7,600	29,750	367	39,000	131,400

Geographic Division and State	Grain ⁶			Livestock			Nuts		
	Associations Listed	Estimated Members	Estimated Business 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars
United States.....	Number	Number	1,000 dollars	Number	Number	1,000 dollars	Number	Number	1,000 dollars
<i>New England:</i>									
Maine.....									
New Hampshire.....									
Vermont.....									
Massachusetts.....									
Rhode Island.....									
Connecticut.....									
<i>Middle Atlantic:</i>									
New York.....				2	28,000	5,400			
New Jersey.....				1	20,000	2,000			
Pennsylvania.....				1	3,000	400			
<i>East North Central:</i>									
Ohio.....	612	91,600	116,600	266	292,000	136,000			
Indiana.....	139	25,000	27,000	13	55,000	25,000			
Illinois.....	56	9,000	10,000	21	48,000	23,000			
Michigan.....	328	40,000	61,000	74	125,000	70,000			
Wisconsin.....	63	12,700	15,700	29	17,000	8,000			
	26	4,900	2,900	129	47,000	10,000			

⁶ Includes dry beans and rice.
⁷ Branch agency and an association.
⁸ Branch agency only.

<i>East South Central:</i>									
Kentucky.....				20	20,200	4,900	1	20	80
Tennessee.....				1	10,000	2,800			
Alabama.....				5	2,000	1,100			80
Mississippi.....				14	8,200	1,000	1	20	
<i>West South Central:</i>									
Arkansas.....	126	19,100	38,410	3	9,500	16,200	2	280	10
Louisiana.....	1	400	1,600	1	100				
Oklahoma.....	1	1,200	8,810						
Texas.....	85	12,500	20,000	1	6,000	5,500			
	39	5,000	8,000	1	3,400	10,700	2	280	10
<i>Mountain:</i>									
Montana.....	106	14,860	13,370	39	19,630	15,050			
Idaho.....	48	6,500	3,780	8	1,300	100			
Wyoming.....	25	3,300	4,760	21	6,500	3,520			
Colorado.....	5	900	340	1	100	110			
New Mexico.....	23	3,800	2,980	5	9,000	7,700			
Arizona.....	1	200	90	1	70				
Utah.....	4	160	1,420	2	2,600	3,550			
Nevada.....				1	60	70			
<i>Pacific:</i>									
Washington.....	89	9,940	26,500	13	4,800	7,300	36	11,150	12,120
Oregon.....	49	5,600	10,500	2	500	100	1	160	40
California.....	17	2,700	7,800	4	1,500	1,450	7	1,650	1,080
	23	1,640	8,200	7	2,800	5,740	28	9,340	11,000

* Less than \$10,000.
 † Includes business at Kansas City, Missouri.

<i>West North Central:</i>									
37	12,320	6,900	1	400	400	23	23,080	3,850	
Minnesota.....	400	320				4	4,500	500 ¹¹	
Iowa.....	3,140	800				10	2,000	220	
Missouri.....	5,200	5,200	1	400		5	7,500	1,130	
North Dakota.....	1,600	250				2	4,000	700	
South Dakota.....	250	30				1	5,000	1,300	
Nebraska.....	1,080	230							
Kansas.....	650	70				1	80	11	
<i>South Atlantic:</i>									
15	3,940	730	2	13,000		13	8,650	410	
Delaware.....									
Maryland.....			1	5,200		1	150	10	
District of Columbia.....	10	20							
Virginia.....	200	520	1	7,800		9	4,500	250	
West Virginia.....	90	50				3	4,000	150	
North Carolina.....	3,600	90							
South Carolina.....									
Georgia.....									
Florida.....	40	50							
<i>East South Central:</i>									
3	1,680	190	4	47,000		17	6,430	330	
Kentucky.....									
Tennessee.....	200	10	3	37,000		6	2,600	200	
Alabama.....	1,360	70	1	10,000		8	3,600	120	
Mississippi.....	120	110				2	200	10	
						1	30	12	
<i>West South Central:</i>									
10	2,530	1,150				4	1,000	110	
Arkansas.....									
Louisiana.....	30	30							
Oklahoma.....	170	20				2	700	80	
Texas.....	2,330	1,100				2	300	30	

¹¹ Wool handled through Illinois Livestock Marketing Association.

¹² Less than \$10,000.

FARMERS' MARKETING AND PURCHASING ASSOCIATIONS (Continued)

Geographic Division and State	Poultry and Poultry Products			Tobacco			Wool and Mohair		
	Associations Listed	Estimated Members	Estimated Business <i>1,000 dollars</i>	Associations Listed	Estimated Members	Estimated Business <i>1,000 dollars</i>	Associations Listed	Estimated Members	Estimated Business <i>1,000 dollars</i>
<i>Mountain:</i>	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>
	46	20,450	9,390				33	4,060	3,850
Montana.....	17	2,140	300				8	600	320
Idaho.....	3	1,240	760				12	1,600	750
Wyoming.....	6	650	80				4	300	470
Colorado.....	10	8,550	400				2	1,000	800
New Mexico.....							3	100	250
Arizona.....	1	10	12				1	130	190
Utah.....	5	7,400	7,550				2	300	1,000
Nevada.....	4	460	300				1	30	70
<i>Pacific:</i>									
	21	38,130	44,570				4	1,730	1,030
Washington.....	6	27,100	16,200				1	30	50
Oregon.....	6	1,630	3,400				1	1,500	830
California.....	9	9,400	24,970				2	200	150

Geographic Division and State	Miscellaneous Selling ¹³			Purchasing ¹⁴			Total ¹⁴		
	Associations Listed	Estimated Members	Estimated Business	Associations Listed	Estimated Members	Estimated Business	Associations Listed	Estimated Members	Estimated Business
	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>	<i>Number</i>	<i>Number</i>	<i>1,000 dollars</i>
United States.....	362	69,000	30,000	2,600	890,000	335,000	10,700	3,300,000	2,100,000
New England:	13	1,540	330	68	101,610	27,060	166	138,160	82,550
Maine.....									
New Hampshire.....	3	360	100	24	5,700	2,200	36	6,710	3,610
Vermont.....	1	180	50	4	1,600	2,400	13	3,930	3,920
Massachusetts.....	6	700	60	13	1,000	620	35	7,480	9,670
Rhode Island.....	1	140	20		92,000	20,130	43	111,800	54,300
Connecticut.....	2	160	100	23	1,310	1,710	3	1,600	1,640
							36	6,640	9,410
Middle Atlantic:	23	4,800	1,700	280	115,000	56,340	535	247,600	206,200
New York.....	12	1,700	500	174	90,000	43,000	316	172,300	144,860
New Jersey.....	7	2,400	800	29	7,000	4,900	54	19,050	13,490
Pennsylvania.....	4	700	400	77	18,000	8,440	165	56,250	47,850
East North Central:	67	20,940	4,150	615	252,000	96,900	2,593	890,740	574,680
Ohio.....	7	5,400	700	108	37,000	21,200	331	159,500	101,720
Indiana.....	6	940	250	92	50,000	20,200	213	131,340	69,500
Illinois.....	14	8,000	300	120	87,000	24,900	613	320,820	222,900
Michigan.....	23	3,300	1,600	70	18,000	10,200	300	99,260	79,460
Wisconsin.....	17	3,300	1,300	225	60,000	20,400	1,116	179,820	101,100

¹³ Includes associations handling commodities not specified elsewhere, those handling several types of commodities, and those furnishing special marketing or other services.

¹⁴ The purchasing business of the marketing associations is estimated at \$107,000,000, and the marketing business of the purchasing associations is estimated at \$26,000,000. After adjustments the totals are: marketing \$1,681,000,000; purchasing \$416,000,000; total \$2,100,000,000.

FARMERS' MARKETING AND PURCHASING ASSOCIATIONS (Continued)

Geographic Division and State	Miscellaneous Selling ¹³			Purchasing ¹⁴			Total ¹⁴		
	Associations Listed	Estimated Members	Estimated Business 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars	Associations Listed	Estimated Members	Estimated Business 1,000 dollars
<i>West North Central:</i>									
Minnesota.....	18	3,000	600	252	75,000	26,800	1,412	305,900	178,570
Iowa.....	6	700	800	137	41,000	10,500	834	191,490	120,310
Missouri.....	67	9,000	5,500	150	26,000	17,400	391	144,600	78,530
North Dakota.....	8	800	170	101	19,000	5,140	528	74,870	32,310
South Dakota.....	3	900	260	70	17,000	4,350	322	74,720	27,130
Nebraska.....	5	700	70	181	53,000	10,480	506	149,880	51,690
Kansas.....	9	1,300	350	126	19,000	5,270	420	71,310	48,190
<i>South Atlantic:</i>									
Delaware.....	54	7,590	8,140	101	44,130	22,740	452	161,020	93,970
Maryland.....	7	700	400	15	2,500	3,250	1	10	10
District of Columbia.....							41	18,110	20,960
Virginia.....	5	120	10	38	25,000	13,400	113	46,740	21,740
West Virginia.....				9	1,100	820	36	9,250	2,220
North Carolina.....	23	5,700	1,500	20	8,000	3,250	75	24,420	8,240
South Carolina.....	2	160	30	1	30		20	10,410	2,910
Georgia.....	10	540	200	12	7,000	550	56	45,300	6,690
Florida.....	7	370	6,000	6	500	1,470	110	6,780	31,200

<i>East South Central:</i>									
Kentucky.....	29	10,290	1,180	91	26,500	5,130	282	215,700	47,040
Tennessee.....	1	540	160	7	1,650	320	37	58,590	12,680
Alabama.....	8	1,100	200	16	2,850	770	61	74,010	11,810
Mississippi.....	10	5,000	430	45	15,000	2,680	94	38,820	6,850
	10	3,650	390	23	7,000	1,360	90	44,280	15,700
<i>West South Central:</i>									
Arkansas.....	14	1,660	2,510	105	23,200	8,330	763	266,900	125,010
Louisiana.....	3	270	30	7	600	370	42	4,500	4,400
Oklahoma.....	5	290	2,100	6	600	630	47	43,740	23,070
Texas.....	1	300	80	30	8,400	2,230	224	72,800	36,260
	5	800	300	62	13,600	5,100	450	145,860	61,280
<i>Mountain:</i>									
Montana.....	17	3,180	990	171	34,260	8,780	569	166,860	93,970
Idaho.....	8	500	90	87	9,400	3,270	192	26,440	14,850
Wyoming.....	2	400	130	34	10,700	1,890	130	57,740	24,330
Colorado.....	1	1,400	470	8	2,800	550	36	7,450	4,090
New Mexico.....	2	300	200	29	9,180	2,050	112	45,260	25,880
Arizona.....	1	400	100	2	960	570	17	2,920	1,520
Utah.....	2	140	100	2	160	50	16	1,740	2,390
Nevada.....	1	40		7	900	370	58	24,600	20,440
				2	160	30	8	710	470
<i>Pacific:</i>									
Washington.....	29	2,600	3,250	152	43,300	29,780	927	200,250	339,850
Oregon.....	10	800	350	81	18,000	10,930	240	75,190	67,620
California.....	9	1,100	500	39	10,800	3,100	171	38,580	39,360
	10	700	2,400	32	14,500	15,750	516	86,480	232,870

THE FUTURE OF COOPERATION³

A reappraisal of the present status of cooperative marketing is essential to anticipate the forces which will mold the movement in the future. One outstanding feature of the present-day status of cooperative marketing is its youthfulness. Few local organizations were in operation before 1880, and most central marketing associations appeared after 1921. Since these dates, however, the individual associations have had a wide range of experience in the use of membership contracts, sales operations, plans of organization, membership relations, and other problems peculiar to cooperatives. Out of this welter of experience many strong organizations have emerged that give promise of greater service to their members in the future. Cooperative marketing, cooperative purchasing, consumers' cooperation, as well as cooperation in the fields of credit, insurance, and other "service" fields have been preparing the ground up to now and may be expected to blossom forth and bear larger fruit in the years ahead than has been yielded to date.

Developments in agricultural production, governmental intervention in agricultural marketing, increasing efficiency of private competitors, and changes in transportation and communication will affect the organization and operating practices of marketing associations. It is almost a certainty that at no time will all farmers belong to marketing or purchasing associations or all consumers to cooperative retail and service organizations. Hence, two systems of distribution, the private and cooperative, will continue to compete with one another, each acting as a check and balance upon the other, and both striving for greater efficiency in the battle of competition.

The authors do not wish to appear oracular in writing about the future of cooperative marketing in America. The manifold economic forces that will mold the cooperative movement in the future are largely a matter of conjecture. Before enumerating the forces which will affect the growth of the movement and the developments that may transpire, it is well to consider some of the outstanding features of its present-day status.

The cooperative marketing movement is still in its infancy com-

³ Quoted, with permission, from *Economics of Cooperative Marketing*, by Henry H. Bakken, M.A., and Marvin A. Schaars, Ph.D., McGraw-Hill Book Co., Inc., New York, 1937, pages 545-553.

pared with the private commercial organizations and the movement includes only a small percentage of the total number of producers of the country. Only a very small percentage of all farm products is sent all the way through the trade channels from producer to retailer or from producer to final processor, although practically every type of commodity is handled or processed by a cooperative during some stage of its distribution.

The movement has been given legal sanction through widespread enabling legislation and decisions of the highest courts of the country. It has received positive endorsement, promotion from state and federal authorities, and encouragement everywhere by leading citizens and civic institutions. Cooperative organizations have been freely given financial assistance, legal advice, and economic counsel from public supported commissions, educational institutions, and agricultural departments.

Associations within the movement readily pass on to other associations information relating to their operation and management. National and international institutes and conferences are arranged for this purpose. Such contacts tend to create an *esprit de corps* that leads to a certain solidarity within the movement. Education has been adopted as the surest means of perpetuating the cooperative principles. Repeated attacks by private dealers have often helped to unify what might have been discordant elements in an effort to meet their mutual opponents.

There is a considerable amount of competition and rivalry among cooperatives which is particularly true of local associations. The trend toward federation lessens the severity of local competition because it calls for unified effort with a common program. There are many benefits of a central organization such as the elimination of duplication and waste in the assembling and processing of farm products near the point of production. The Federal Farm Board was influential in organizing national cooperative companies whose purpose it is to unify the cooperative sales companies and coordinate their efforts in the interest of a particular commodity group. The Farm Credit Administration affects the control of agricultural credit, and, consequently, its influence helps to avoid cross purposes and conflicts within the movement although no managerial responsibilities are assumed.

Changes in the organization of cooperative associations may be expected. Improvements in transportation and communication will most likely cause local associations to expand so as to include mem-

bers within a larger area of production. Local associations, instead of identifying themselves with individual shipping points, will widen to include several shipping points. Small regional associations embracing part or entire counties will undoubtedly be more common in the future. This change is definitely under way in the dairy regions where consolidations of several creameries and cheese factories are being effected. County-wide associations of livestock producers also illustrate the modern trend in the cooperative movement.

As cooperative associations become older, the number of stockholders that have moved away from the community, retired from farming, or deserted the cooperative increases. This results in a smaller percentage of stockholder members controlling the affairs of the cooperative. As the percentage of patron-members decreases, the democratic aspects of the association tend to disappear. Consequently, a reorganization of cooperatives will be necessary, especially if loans are requested from federal agencies, because such loans today require that 50 per cent of the cooperative's business must come from patron-members. In all likelihood the revolving plan of stock ownership will be used by more associations in the future than today in order to vest the control in the hands of those who use the association.

AGRICULTURAL PRODUCTION AND COOPERATION

Future reorganization in industrial and agricultural production will probably be a major factor changing the character of the cooperative movement. The cooperative business institution of today is fundamentally an outgrowth of the small-scale unit farming system. It enables small producers to apply mass distribution methods to their widely separated and individually operated farming units. Will the American farms of the future be the small-scale, family-sized producing units as of the past, or will they be large-scale corporate or chain farms? If the former persist, as many believe they will, then the need for collective marketing will continue. If "capitalistic" farming organizations predominate, we can expect less need for the local associations, although central marketing associations will not be affected. Under the latter system, centralized sales associations instead of federated sales organizations will be formed. The associations of the large livestock ranchers in the West and Southwest, of the citrus producers of the West, and the fox and fur ranchers of the North serve as examples. The large

producers, however, are generally less disposed to cooperate for marketing purposes.

The extent and nature of governmental programs relating to agricultural production, marketing practices, and price fixing will, no doubt, have some effect upon cooperatives. In all probability the expressed purpose of the government is to increase the net agricultural income. If this materializes, many farmers who are members of cooperatives may in the future find less necessity for such relations. Today, either the state or federal government agencies fix the prices paid in many milk markets. (In late 1936, twenty-one states had laws on their statute books regulating milk marketing, many of which included provisions for fixing prices to producers and to consumers. The twenty-two states were: Alabama, California, Connecticut, Delaware, Florida, Indiana, Maine, Maryland, Massachusetts, Montana, New Hampshire, New Jersey, Oregon, Pennsylvania, Rhode Island, Utah, Vermont, Virginia, West Virginia, Wisconsin, Wyoming.) Extra persuasion is necessary under such conditions to convince farmers that as strong a farmers' cooperative is needed now as before to adequately represent the producers' interests in making price agreements. The effect which government price fixing may have upon the associations that rely upon bargaining power solely is problematical. Some associations will most likely shift their emphasis from considerations of price to that of other marketing problems, such as hauling, credit, procurement of quality products and internal operating economies.

Many cooperatives have exerted considerable influence over the production policies of their members, especially as they relate to the quality and kind of products to be delivered to the cooperative. This influence is illustrated in fluid milk markets by associations that inaugurated the base-surplus plan as a method of paying for milk and reducing the great unevenness of production during the year. Other dairy associations have reduced the bacterial count in the milk through proper education of their members and through a scheme of differential payments. Many fruit and vegetable associations have been able to get their members to concentrate upon the production of selected varieties. Such direct and indirect influence upon production will characterize the future.

Since customs and practices of cooperative methods vary from period to period, laws pertaining to cooperatives may likewise change to meet the newer problems. In 1936 thirteen states per-

mitted voting on a participation basis. The other thirty-five states still limit all voting in cooperatives to a one-man, one-vote basis. It is anticipated that amendments will be made to many state laws in the future modifying the plan of member representation.

EFFICIENCY VS. NARROWER MARKETING MARGINS

The cooperatives of the future may center more attention upon efficiency in marketing services than upon patronage dividends and price comparisons, although today many members judge the success of their associations by the amount of the patronage dividend declared. As cooperatives become more numerous and successful, the margin upon which private competitive dealers operate tends to narrow thus making it more difficult for cooperatives to show the comparatively greater financial results that they have in the past. It is reported in the South that the spread between prices paid at interior markets and at central markets for cotton has been greatly narrowed since the cotton cooperatives started in 1921. Comparable reports emerge from dairy, livestock, and grain producing regions. In early years emphasis was placed upon the spread in price between local and central markets. Often these spreads were so great and the results of cooperatively selling so impressive that it provided a strong incentive for collective action. In more recent years, the spectacularly wide spreads are exceptional. Greater interest on the part of unaffiliated locals in central marketing associations, in expanding the uses of their products, in widening market outlets, in integrating marketing operations, and in accomplishing internal operating efficiencies may be developed as a result of more severe competition.

The efficiency of established cooperatives has tended to cause buyers of farm produce to pay prices comparable to the net returns obtained by members of cooperatives and has caused sellers of farm supplies to reduce their prices to the level of the prices charged by farm purchasing associations. Competitors of cooperatives have found it necessary to become more efficient or to operate on smaller margins. Thus, the cooperative has extended the benefits of cooperation to nonmembers as well as members. Agriculture in general is benefited. As a result many producers have felt no need for joining a cooperative. The future extension of the selective membership principle may result in fewer individuals belonging to cooperative enterprises, but the quality of the membership

will be improved to such an extent that the disadvantage in the reduction in numbers will be compensated.

It is not anticipated that all farmers will belong to cooperative marketing or purchasing associations. From a purely practical point of view, it is better to have the extreme individualists on the outside rather than on the inside where they may be ever-disturbing elements. As long as the institutions of free enterprise and individual liberty continue in this country, some producers will prefer to remain outside the cooperative movement. Their wishes should, of course, be respected. In countries where the cooperative is further developed than in the United States, many farmers are found who do not belong to a cooperative.

COOPERATION BETWEEN PURCHASING AND SALES ASSOCIATIONS

The cooperative purchasing movement has made considerable progress during the recent years of depression, although the amount of business at wholesale and retail is a very small portion of the total. Much of this movement is confined to retailing. In all likelihood the future may witness a closer working relationship between the producers' sales associations and the purchasers' co-operatives. That such a working relationship may be for the mutual advantage of both groups is entirely possible. The experience of the British cooperative consumer movement leads one to conclude that greater economies and larger social values are achieved when strong consumer cooperatives and strong producer marketing co-operatives operate than if the consumer cooperatives themselves operate agricultural enterprises. Organizations of producers for marketing and of consumers for purchasing recognize fundamental interests of members and will in all probability characterize the development in the future. Today the cooperative marketing associations are handling considerably more products than the existing consumer organizations require, but in years to come, larger sales to the consumers' groups will very likely be made.

THE EFFECT OF RURAL EDUCATION

The number of farm boys and girls that complete primary schools, go to high schools, and attend colleges is increasing every year. Such general increase in the education of the rural youth augurs well for the cooperative movement. The large number of young men from the farms that attend the short courses of agriculture in agricultural schools may provide many of the future

leaders for the movement. General education of both the prospective members and potential leaders in the cooperative movement should insure better members, objectives, and more permanent institutions. A number of studies on membership relations indicate that educated farmers are generally better members than farmers who have not had the advantages of a formal education. Intelligent leaders supported by intelligent followers strengthen any movement.

EXPERIENCE AND THE FUTURE

Any new undertaking has its "growing pains," its mistakes, its failures, and its successes. The cooperatives have had their share of these experiences. One can legitimately claim larger future possibilities for the movement in general than have already been experienced by many individual associations in the past. The productivity of a mature institution is obviously increased with its age. Fewer failures should be experienced if the lessons of experience are heeded.

No doubt, some fraudulent cooperatives will appear to capitalize upon the good name of the movement. The movement will always appear attractive to ulterior-minded individuals in society, and its leaders will have to be alert at all times in guarding against the selfish motives of unscrupulous individuals. Such, however, can be reduced to a minimum if the individual states will set up functioning "councils of cooperatives" from which endorsements in the nature of "certificates of necessity" must be procured before any new associations are launched.

New types of cooperative associations will continue to make their appearance. Such will be true especially in the fields of "service" cooperatives. Cooperative insurance companies—life, accident, automobile, fire, theft, and hail—burial associations, housing associations, laundries, restaurants, savings banks, credit unions, medical and hospital associations, legal associations, electric and gas associations, transportation, communication, and irrigation organizations will be found in all probability in increasing numbers in the future. Many of these have been started since 1930 and, based on their experiences within the past several years, promise to expand considerably in the years ahead.

Among the "service" associations which may become important to agricultural producers in the future are the credit unions. These unions are patterned after the Raiffeisen associations of Germany

where they serve principally the rural population. The credit unions in the United States have made their greatest advance in urban centers, but expansion in rural areas is also predicted. The credit unions may, likewise, organize their own banks to hold and utilize the surplus funds of the individual unions. The development in credit union banking foreshadows a cooperative banking system which may ultimately serve all types of cooperative associations. Such a system would be the counterpart of the private banking system which has developed in this country to serve primarily private commercial and industrial concerns.

In the next two paragraphs Dr. Knapp states what he believes to be the chief considerations influencing the future of farm supply associations.

Leaders in the cooperative farm-supply movement do not believe that the time will soon come when farmers will buy all supplies cooperatively. Rather it is their view that cooperative purchasing associations will continue to develop only to the extent that the benefits of cooperative purchasing can be clearly demonstrated. In a number of areas there has been a noticeable increase in the efficiency of commercial competitors owing to the presence of efficient cooperative purchasing associations, which may be likened to the improvement of operating practices of local merchants which has been due to the competition of chain stores and mail-order houses. These cooperative purchasing associations, by injecting more competition into farm-supply distribution, have thus performed a general service for the agricultural industry in that they have reduced the general cost of farm supplies and brought about a general improvement in quality and service. With the improvement in competitive agencies, it becomes increasingly difficult for cooperative purchasing associations to expand their direct field of service. At the present time, however, there is a broad field in which properly organized and well-operated cooperative purchasing associations can expand since such associations have demonstrated that they can operate as efficiently as commercial concerns. Any appraisal of the future place of cooperative purchasing associations in the distribution of farm supplies must furthermore take into consideration the fact that there are certain non-commercial satisfactions that farmers derive from belonging to their own organization.

The future of cooperative purchasing of farm supplies in the United States will no doubt be closely related to the future of cooperative marketing since cooperative purchasing and cooperative marketing are both designed to make the farming enterprise more successful. While cooperative purchasing endeavors to provide a more economic source of farm supplies, cooperative marketing endeavors to secure a more efficient

system for selling farm products. In many cases cooperative purchasing and cooperative marketing have been carried on jointly by the same agency in a very satisfactory manner. An expansion of such joint operation is to be expected, although there will no doubt continue to be many strictly purchasing and strictly marketing associations.⁴

This treatise on "The Economics of Cooperative Marketing" is an attempt to appraise the cooperative movement as a means to attaining a more abundant material wealth and a richer spiritual life. Those who aspire to greater perfection in the organized relationships of man in his struggle against economic scarcity and social insecurity may find some encouragement in these pages. The foresight and indefatigable efforts of large groups of socially minded people who have worked and learned and profited from collective action have made this publication possible.

We hope this book will inspire others to press on in their investigations of the less well-known phases of this subject in order that its fullest potentialities may be discovered.

⁴ Knapp, Jos. G., *Improving Farm Efficiency through Cooperative Purchasing*, the *Journal of Business* of the University of Chicago, Vol. 9, No. 4, pp. 311-12, October, 1936.

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Part IV

THE FINANCIAL COOPERATIVE MOVEMENT

CHAPTER X

THE EVOLUTION OF COOPERATIVE BANKING

HISTORICAL SURVEY OF THE ANCESTRY OF MODERN FINANCIAL COOPERATIVES

IN EUROPE¹

Any substantial social, political or economic change is generally preceded by some writing concerning it. It is much easier to put a new notion on paper than it is to make it work. . . . True, there was some experimentation with cooperation at Huddersfield in England as early as 1827, but it remained for the consumers' cooperative movement in England to be truly founded by the weavers of Rochdale under the leadership of Charles Howarth in 1844.

. . . Meantime France had produced some men who were thinking in terms of cooperative effort: Buchez (1796-1865), Proudhon (1809-1865) and Louis Blanc (1811-1882) made pioneering contributions to the cooperative literature of their day. Getting a bit closer to the credit union, we find that in Brussels in Belgium, François Haeck in 1848 founded a credit society which was essentially cooperative and he actually called it a "credit union."

Our real ancestry, however, is distinctly German. Victor Huber, who lived from 1800 to 1869 wrote of cooperation in Germany; in fact one of his early treatises was entitled "Credit Unions and Loan Unions." He, as it were, played the overture to the great drama of cooperative action which was about to be enacted. And the two great players were Herman Schulze-Delitzsch (1808-1883) and Frederick William Raiffeisen (1818-1888). Both experimented successfully with cooperative credit; both evolved types of successful cooperative credit societies capable of rapid

¹ Quoted, with permission, from *Cuna Emerges*, 4th edition, by Roy F. Bergengren, Credit Union National Association, Madison, Wis., 1939, pages 11-34.

duplication eventually, not only in Germany but in all parts of the world. It is far beyond the scope of this book to comment on these outstanding founders of the cooperative credit movement. In various chapters of a most interesting book entitled *Rural Credits* by Myron T. Herrick (published by D. Appleton & Company in 1916) will be found, in some detail, accounts of the work of these men and a comparison of the types of cooperative credit which they produced. Suffice it for this volume that it is primarily to the work of Raiffeisen that we in America have turned for our guidance and inspiration.

Before leaving Germany, it may be of interest to note again the economic conditions which gave such impetus to this development: it was a time of famine and Raiffeisen was driven, as were the Rochdale weavers, to his experiments with cooperation, in a desperate effort to find some way of economic relief for his people in the little town of Flammersfeld where he was mayor. Again cooperation was resorted to as a sort of final hope for the people who had reached the ultimate of economic distress. Nor have I any purpose to summarize, first, the gradual spread of credit union operations in Germany between the time of the early Raiffeisen experiments in 1848 until the time of his death in 1888. During this period he organized 425 credit unions and was also instrumental in the development of a central union of his societies. After 1888, the spread to other parts of the world was very rapid. There is an excellent account of it in Professor Tucker's book, *The Evolution of People's Banks*.

We will, however, tarry in Italy for a paragraph primarily because many of the modifications of the original Raiffeisen cooperative credit society first adopted in Italy are incorporated in our own form of credit union. It was on May 25, 1866, that Luigi Luzzatti organized the first Italian cooperative bank at Milan; the subsequent Italian development was due primarily to the sustained interest in this subject on the part of Luzzatti (several times Minister of Finance) and similar practical interest in applied cooperative banking developed by Leone Wollemborg, one time Prime Minister of Italy.

I have visited with the President of the central bank of seventeen thousand Japanese credit unions and have contacted credit unions and central banks of credit unions in Germany, Holland, Switzerland and Belgium. Throughout this spread of cooperative credit, between the end of Raiffeisen's active career in 1888 until

the beginnings of credit union development in Quebec in 1900, a constant perfecting process went on; credit unions increased and multiplied in number, membership and assets until at one time there were over fifty thousand cooperative credit societies in Germany alone. During this period (in 1910) Henry W. Wolff wrote an epoch making book, entitled, *People's Banks*. This volume had a profound influence; to it, for example, may be traced the early interest in cooperation aroused in Alphonse Desjardins of Montreal, and Pierre Jay, in his Bank Commissioner's Report for 1908 (which preceded the enactment of the first cooperative banking law in the United States in Massachusetts in 1909) refers directly to the stimulation of his interest in this subject due to a careful reading of Wolff's book.

IN CANADA

Desjardins brought the credit union to America.

He was a journalist in Montreal and as early as 1885 his interest in cooperative credit had been aroused by exposures as regards usurious money lending in that city. He spent years of study of the European precedents and organized his own first experiment in a very humble way in Levis in his home Province of Quebec, in 1900. . . . Before his book was written in 1914, Desjardins was able to report the organization of one hundred and fifty credit unions in the Province of Quebec, none of which had suffered any losses. The most recent figures (supplied by the Statistical Year Book of the Province for 1937) list 234 credit unions, with 49,890 members and resources of \$10,846,755. The largest of them is still at Levis; they include credit unions of city workers, of fishermen, of farmers and of pioneers in outpost settlements. This development is almost exclusively within parishes and carried on in cooperation with the local parish priests. Incidentally, the credit union movement in Quebec was the work of this one man. . . .

IN THE UNITED STATES

In 1908 Desjardins was invited to Boston, Massachusetts, to cooperate in the preparation of a bill which, enacted by the Massachusetts legislature of 1909, supplied the first working model for general state legislation having to do with cooperative banking in the United States. Desjardins, at this session, supplied the direct link associating the credit union in the United States to La Caisse

Populaire, as Desjardins had developed it in Canada after careful study and adaptation of the Raiffeisen Bank as modified in Italy by Luzzatti. The straight line of descent is quite obvious.

Prior to this historic meeting, another great figure had stepped on the stage on which, now for three quarters of a century, great men have been unfolding this drama of cooperative credit. Edward A. Filene is a Boston businessman; more than that, he is a practical economist with an active and accurate vision. He has been identified more definitely with forward thinking along economic lines during the past decade than have any of his contemporaries among outstanding American businessmen. Most of this time, because of persistent urging on his part that change be made in the way and manner of relating production to consumption and his sustained prophecy of great economic collapse if heed were not given to this need for readjusting the two, his thinking was not acceptable to dominant economic thought in America. . . .

He first cooperated in the matter of bringing Desjardins to Boston to the all important conference with Bank Commissioner Jay; together they induced the Massachusetts Legislature to enact their credit union bill in 1909.

The first stage of credit union development covers the period from the enactment of the law in Massachusetts in 1909 to 1921.

During this period, there was practically no sustained effort directed towards national credit union development. New York (1913) enacted a similar law and North Carolina followed suit in 1915; Texas and Wisconsin in 1913, Oregon, South Carolina and Utah in 1915, and Nebraska in 1919 enacted laws, all of which were so defective in their terms that by 1921 no credit union development at all had started in any of these states. Rhode Island enacted a law in 1914 and had organized three credit unions. The development up to that time had been confined practically to New York, Massachusetts and Rhode Island, and in 1921, at the end of this preliminary period, there were four states with effective laws, containing 190 credit unions, with a membership of 72,310 and resources of \$10,084,862. . . .

The Credit Union National Extension Bureau

In 1921, Mr. Filene concluded that the time had come for the national extension of the credit union. . . . He associated with him in this effort the author of this book. . . . Finally, it was our purpose from the beginning to organize the Credit Union

National Association as a national union of the credit unions, as soon as the credit unions were numerous enough and had sufficient capital to warrant such action, and to turn over to the Association, when organized, the permanent direction of the cooperative credit movement in the United States. We appreciated, of course, that there would be other essential phases of our program—publicity, education, protection of credit unions from taxation and unjust laws, and, above all, the business of finding men and educating and developing men to whom the permanent conduct of the credit union movement could be safely transferred.

On March 1st, 1935, the Credit Union National Association took over the national direction of the credit union movement in the United States. . . .

It is now possible to organize credit unions any place where the American flag flies, and in 41 states credit union organizers have the alternative of organizing either under adequate state or federal laws. Our first objective in the Bureau is completed and we have learned the way and manner of credit union legislation. . . .

So much for the first objective. The second may seem less obvious. We started in 1921 with 190 credit unions; they now number well over 3,000 and are increasing at the rate of 100 new credit unions a month. (In February, 1939, 103 new credit unions reported.) Their membership has increased from 72,000 to approximately 750,000. When it is considered that it took 40 years to organize the first 425 credit unions in Germany (which developed subsequently to a total of more than 50,000 credit unions in that country), it is not an unduly optimistic estimate to assume within the next decade at least a hundred thousand credit unions in the United States. For the first 9 years of the Bureau, we averaged in the United States 122 new credit unions per annum; our present average is approximately twelve hundred per annum. We have overcome the sales resistance of the American people to cooperative credit and we have beaten down a tremendous initial inertia and have learned the way of mass production.

We have evolved types of credit unions which can be applied to various urban groups, some of the experiments failing to work out efficiently and others proving a great success. There are, therefore, credit unions in factories, mills, and stores, among municipal, state, and federal employees, credit unions of school teachers and within rural organizations; more recently, credit unions in small communities to replace banks which have become permanent cas-

ualties of the depression. While the rural experiments are still in a developing, evolutionary stage, we are gradually producing a type of rural credit union capable of mass production. In industries we have reached the point of broad development; there are, for example, over a hundred credit unions of employees of Armour and Company, spread over thirty-eight states; of an average age of five years, they have already loaned over eight million dollars. Beginning with a credit union of employees of the Brockton Post Office in 1923 (which started with 12 members and \$18.50) there are now over 200,000 postal employees in over 300 offices who have saved in their credit unions over eleven million dollars. I noted at the first meeting of the board of directors of the National Association, three of the members of the board sitting beside each other whose credit unions (the Municipal Credit Union of New York City, the eight credit unions within the New England Telephone & Telegraph Company, and the Credit Union Central Falls of Central Falls, Rhode Island) have respectively 22,000—17,000 and 4,000 members, with resources of better than two million dollars each.

Yet the plan works well in a creamery employee group in Kansas which has 29 members.

It is now possible to say with accuracy that credit unions can be normally expanded during the next decade until every man and woman of the many millions in the United States who need credit union service will be included within the scope of some form of credit union organization.

. . . In Illinois, Missouri, Minnesota, Massachusetts and New York, we carried on our original experimentation with league organization, the third objective. Without experience, we set up leagues before the credit unions in the given states were numerous or rich enough to support a reasonable budget. Many difficulties were encountered—but finally the five leagues became fully operative. From their experience has come, in 1934, the organization of thirty additional state leagues; the complete operating personnel of these leagues is contained in the appendix. The National Association has for its first and most important job the perfection of these leagues and the recruitment of the credit unions in these states to numbers capable, in each state, of maintaining a reasonable budget and operating program.

. . . Finally the fourth objective seemed possible, the organization of the Credit Union National Association and the

transfer of the credit union movement in the United States to the credit unions, properly organized to receive it.

In the spring of 1934, a call was issued to a group of outstanding credit union leaders to meet at Estes Park, Colorado, at the Y.M.C.A. Conference Camp in the Rocky Mountains, between August 7 and 11 for the purpose of drafting a Constitution and by-laws for the Credit Union National Association. Such a meeting was held and the instrument was completed and signed on parchment by 52 credit union leaders from 22 states on August 10, 1934.

. . . On January 27, 1935, at the Kansas Citian Hotel at Kansas City, Missouri, thirty-eight of the forty-one members of the first National Board, representing 31 States and the District of Columbia, met and perfected the organization of the National Association. . . . Madison, Wisconsin was chosen as the location of the national office and the National Association took over the credit union movement officially on March 1st, 1935, thereby bringing to an official close the work of the Credit Union National Extension Bureau.

THE PEOPLE'S BANKS IN MANY LANDS²

There remains now the problem of measuring the extent to which the idea of the people's bank has spread around the world.

Of the European countries, France has had probably the most checkered experience with urban cooperative credit. During the last seventy-five years there have been within her boundaries at least three different movements, whose purpose was to extend urban cooperative credit.

The first of these was purely French. In 1848 Proudhon launched his "People's Bank," whose purpose was to regenerate mankind and whose achievement was to become bankrupt within a few months. Buchez popularized the idea of credit to labor. Therefore, probably we should count as an outgrowth of this earlier movement the much advertised *Credit au Travail*, or Bank for Labor, though this institution was not started until 1863. Its manager was Beluze. Among its supporters were to be found men of the most diverse opinions; Royalists like Casimir-Périer, Catholic Conservatives like Cochin, Socialists like Louis Blanc, and

² Quoted, with permission, from *The Evolution of People's Banks*, by Donald S. Tucker, Ph.D., Columbia University Press, New York, 1922, pages 227-237.

even the Nihilist, Bakunin. But within five years this institution also had failed and its creditors received but eighteen cents on the dollar. However, this first period was marked by some successes as well as by these two failures. Among these less advertised but genuinely successful banks are to be counted, (a) The Provident Aid Bank founded at Limoges in 1830; (b) The Fraternal Bank for Small Commerce, founded at Cognac in 1848; and (c) The Bounard Exchange Bank of Marseilles, founded in 1849.

The second period started with the introduction of the Schulze-Delitzsch bank from Germany only five years after the first bank had been started there. In 1857 nine grape growers and artisans living in Montreuil and Vincennes organized the *Banque de Solidarité Commerciale*. Their meetings were held in secret and the greatest pains were taken to prevent surprise by government spies or police. Such association was criminal under the second empire and a peaceful workingman had been arrested simply because he was the manager of a workingman's society. How much business could be done under these circumstances is not explained. But the repression and secrecy had their natural effect. Within several years, there were reported to be fully two hundred of these people's banks. But apparently the more liberal atmosphere of the republic destroyed their cohesiveness, while the unpopularity after 1870 of all things made in Germany, caused a loss of interest, for none of these early Schulze-Delitzsch banks has survived.

The third movement came from Italy and it is these Luzzatti banks which now form the bulk of the French urban cooperative credit movement. But on January 1, 1910 the entire movement consisted of but thirteen banks. That there are not more is probably due in part to the fact that France is primarily agricultural rather than industrial, and in part to the extraordinary smallness of many of the loans made by the various local branches of the great French commercial banks.

The second country to be considered is Belgium. It will be recalled that within its boundaries was started in 1848 the first genuinely successful cooperative bank of any type. This institution, the Credit Union of Brussels, is still in existence and is extraordinarily successful. In 1910 it contained 5,232 members and had a capital of \$14,207,600.00. There are now five other credit unions of this same type though no others are so large. All of these credit unions have confined their attention and their loans chiefly to the wealthier merchants. Thus there was room for

Schulze-Delitzsch banks also. The first of these was introduced by Leon d'Andrimont at Liège. Others were formed at Verviers, Huys, Gand, Namur and elsewhere. In 1913 there were 45 of these Schulze-Delitzsch banks belonging to a federation of which M. d'Andrimont was president.

In Germany at the close of 1914 there were within the Universal Federation alone 976 people's banks. Of these, 945 voluntarily reported. These 945 reporting banks contained 618,408 members. They had surplus and share-capital amounting to more than \$87,000,000.00 and total assets in excess of \$410,000,000.00. Two independent leagues of somewhat similar character, those of Ulm and of the provinces of Posen and West Prussia, brought the total number of banks of this type up to 1,287. This 1,287 is of course exclusive of the Head Federation and the fairly considerable number of cooperative banks outside of any federation whose exact nature it is more difficult to determine. Of these 1,287 banks 1,251 reported. These 1,251 banks had a combined surplus and share-capital well in excess of \$100,000,000.00, total assets of more than \$531,000,000.00 and an enrollment of 901,121 members.

The former empire of Austria also showed an extraordinary development of people's banks. As in Germany, so in Austria there had been rudimentary cooperative societies for many years. Friendly societies for charitable loans were also known. These facts, combined with the similarity of language and of institutions and the common membership—until 1866 at least—in the Germanic Confederation, made it as easy for the ideas of Schulze-Delitzsch to spread in Austria as in the states later consolidated in the German empire. Once in Austria the idea spread rather naturally to people speaking languages other than German. The first Schulze-Delitzsch bank in Austria was started in 1858. By 1870 there were 943 and by 1913 there were 3,599. Many of these are now of course in Czecho-Slovakia and in Poland.

A survey made just before the war brought out the fact that there were at that time 19,091 registered cooperative societies within Austrian boundaries. These included a wide variety of cooperative effort. But 3,511 were Schulze-Delitzsch people's banks. Of these, 431 had joined the federation of Schulze-Delitzsch cooperatives. Of these but 414 sent in reports. The reports, therefore, cover less than one-eighth of the total number of banks. Presumably those within the federation are larger than those out-

side. But these 414 people's banks showed a combined share-capital and surplus of 69,702,756 crowns (approximately \$20,000,000.00), and borrowed capital of 470,392,068 crowns, or approximately \$94,000,000.00 more.

Hungary contained urban cooperative credit institutions of various types. Among these we know that there are some Schulze-Delitzsch banks. The Hungarian Central Bank, or Central Society for Cooperative Credit, established in 1898 after the general model of the *Preussenkasse*, had attached to it in 1912 no less than 2,412 cooperative banks. But of these all but 226 were agricultural societies and none of the others were true Schulze-Delitzsch banks. In addition to these there are a number of other cooperative and semi-cooperative institutions, but it is not possible to state how many of these are true people's banks, or even how many of them are truly cooperative.

In Switzerland the chief urban cooperative banks are *Unions du Crédit* copied after François Haeck's Union in Brussels, rather than after the Luzzatti type to the south or the German model to the north. The *Schweizerische Volksbank*, for example, had shares of 1000 francs (\$200.00) each. In its report the number of artisans was included in the number of laborers, but these classes together included only 4,287 out of 69,026 shareholders.

In Italy it will be recalled there were some 735 banks with an aggregate membership slightly over half a million and deposits of about \$200,000,000.00.

The greatest extension of cooperative banking, however, has probably been in Russia, where there were in 1913 no less than 3,300 such banks. Of these 3,019 reported. These 3,019 contained 1,736,301 members. Their share-capital was \$23,662,275.00 and their loans outstanding amounted to \$109,193,390. These banks were united into federations, but these federations had no authority to audit or to control the affairs of their member societies. These figures are exclusive of Finland, where there are many cooperative institutions. But it seems probable that most of the several thousand cooperative banks in Finland are of the Raiffeisen type. Even assuming that only a portion of the Finnish cooperatives were people's banks it seems possible that before the war there were in the Russian empire more than two million people who were members of some people's bank.

Even these stupendous figures have been exceeded since the outbreak of the war. In 1913 there were 3,300 such banks; on

January 1, 1915, there were no less than 4,078. Since the Bolshevik Revolution it is more difficult to tell just what has happened. There is, however, one great difference between the Russian and the true Schulze-Delitzsch people's banks; the Russian banks engage in other business besides banking. For example many of them market their members' product.

In British India there have been for ages institutions known as *Kûtūchuttu*, and since about 1850 there have been others known as *Nidhis*. The first of these resembles to some extent, and the latter resembles exactly, the American savings and building-loan association, with the exception that both may lend on personal security. They are thus somewhat like the Massachusetts Credit Unions.

Late in the last century cooperative credit institutions were introduced. These were of a somewhat modified type, but there are now a large number of rural banks and also some 415 urban cooperative credit institutions.

In Japan there is an indigenous form of urban cooperative credit, though in the form of a cooperative investment association. Money is raised, not only by the subscriptions of members for shares, but also by making each member place a certain number of shares with his friends. In 1917 there were 173 such associations with a paid-up capital of 3,111,931 yen (approximately \$1,500,000.00). These associations have been given an assured legal position by a law passed in 1915, but their membership is by statute restricted to persons who already possess \$15,000.

. . . Thus the most significant development of people's banks in the New World is that which originated recently in Canada.

Levis is a suburb of Quebec. Canada permits branch-banking, a system which everywhere seems to create a need for some supplementary credit institutions. In this town then there seemed to be a real need for some source of credit for the smaller borrowers. To the solution of this problem Mr. Alphonse Desjardins devoted some fifteen years of study, even going abroad to investigate conditions there and to talk with European cooperators.

. . . This first bank was started December 6, 1900. Shares were set at five dollars each. Members might pay for these in instalments and might purchase as many as they pleased. Members might also make deposits, but only members might make these deposits. These deposits might be withdrawn practically at will. Shares also might be withdrawn upon a month's notice. Thus the

capital of the association was a fluctuating one. Each member was given but one vote.

. . . By 1912 the bank's surplus was \$11,741.53, its paid-up share-capital \$114,343 and its deposits \$53,564. By 1914 its assets were \$304,985.92 and its membership 1,240. By 1920 it had on hand \$206,231.90 in cash and had outstanding loans to the amount of \$887,277.02. Its share-capital was \$249,450 and its total assets no less than \$1,093,508.92. The remarkable record of this institution is probably due in part at least to the fact that M. Desjardins "stood by the ship" and served as president of this institution until the time of his death.

The success of this bank inspired many others to imitate it. By 1914 there were nearly 150 such associations in Canada. By 1920 there were nearly two hundred of them, with assets aggregating more than \$4,000,000.

. . . But the great contribution which the Desjardins banks have made is not only that of a new structure, but also that of serving a new purpose, the making of remedial as well as of business loans. M. Desjardin's work has been the inspiration of the prosperous credit union movement which has sprung up in the United States. The first such organization within our boundaries was the *Caisse Populaire de Sainte Marie* founded in 1909 at Manchester, N. H. On August 20, 1921 this association had assets amounting to \$737,116.22.

The first state to enact legislation legalizing these institutions was Massachusetts. Under the leadership of Mr. Pierre Jay, then bank commissioner of the state, a statute was passed in 1910. This statute differed from the Canadian statute chiefly in that it imposed additional restrictions on the association's officers. It also gave to the organizations an American name, credit union. Finally the new law contained a requirement that all entrance fees, transfer fees, and one-fifth of all net profits should be devoted to a special reserve, to be known as the guaranty fund. Only after this guaranty fund had grown to a sum equal to the capital of the association, could this revenue be disbursed in dividends.

Next, this infant institution, the credit union, was fortunate in enlisting the active support of a number of public-spirited citizens, among them Mr. E. A. Filene.

. . . A typical credit union was organized among the city employees of the City of Boston in 1915. The investigation which led to its organization disclosed the fact that some employees were

borrowing from money-lenders at rates which averaged 180 per cent a year and furthermore that "on an average over a hundred men lost a half day's pay each week in order to make necessary arrangements with money-lenders to withdraw assignments of wages. . . ."* In two years this City of Boston Employees' Credit Union made 725 loans totaling \$56,680.01. On these its losses aggregated \$54. The average interest paid by borrowers was 8 per cent. This covered all expenses, losses and the necessary additions to the guaranty-fund and also permitted a dividend to stockholders of 6 per cent.

THE SAVINGS AND LOAN ASSOCIATION⁸

. . . A savings and loan association has two purposes. One is to facilitate home ownership for American families. The other is to encourage thrift by providing a safe place for the investment of both large and small sums. Operating for more than 100 years, such institutions have been a main reason why America holds the world record for families owning their homes. These associations of thrifty folks have also done a great work in enabling the typical American to accumulate savings for old age, for the rainy days of sickness or unemployment, for the sunny days of travel and recreation, and for the hundreds of other purposes for which people save money. . . .

Here's a young married couple who want to buy or build a home costing, with the lot, about \$5,000. This would be two and one-half to three times their \$1,500 to \$2,000 annual income. If they had to wait until they had saved \$5,000 they would probably be forty or more before they could move into a home of their own. And by that time they would have lost the opportunity to have the home when it is most important, during the formative years of their children. But if by the time this couple is twenty-five or so, they have been able to save \$1,500, they can go ahead and have the home of their dreams, for a savings and loan association will lend them the difference.

If the home they want is well located, well built and worth what they plan to pay for it, the savings and loan association will furnish

* J. M. Curley, *City of Boston Employees' Credit Union* (published by City of Boston Printing Department, 1917).

⁸ Quoted, with permission, from "The Savings and Loan Association," Committee on Education and Research, United States Building and Loan League, Chicago, Ill., 1939, pages 3-15.

the other \$3,500 necessary to buy it—or if the one they wish to build has acceptable plans and is suitably located, they can secure the loan just the same. All they need to do is repay the money monthly just as they would otherwise have to pay rent. In this case they would have to pay usually about \$28 a month, no more than the rent a family with their standard of living would pay. At the end of approximately fifteen years, or when they're nearing forty, they would have paid back the \$3,500 and the home would be theirs clear of debt.

. . . The savings and loan association can make this typical advance of \$3,500 because there are people who put their savings into the institution. Possibly other young people, looking toward the accumulation of the \$1,500 or so necessary for home ownership on their part, have been saving \$5 to \$15 or more a month and putting the money into savings and loan. Many others are saving with various objectives, and some people in the larger income groups put money into the association in lump sums of \$300 or \$400, or perhaps several thousand dollars, in order that it may be safe and earn a return for them.

The moneys thus invested by the savers are used in making loans to others to finance homes. The family which has borrowed the money pays the association interest for its use, and can do this without hardship because it lives in its own home and does not have to pay rent. The interest is included in the \$28 per month which the typical family mentioned above contracts to repay to the association. The rest of the \$28 goes to reduce the amount of the debt until it is entirely paid off in fifteen years. From the interest it receives, the association is able to pay a return to the savers in addition to paying its own operating expenses.

WHO ARE THE OWNERS OF AN ASSOCIATION?

In accordance with their cooperative plan of operation, savings and loan associations are owned by the people who put their savings and investments into them. All have a part in their earnings and in their management. Of course they cannot directly manage its affairs. They must delegate this responsibility to a smaller group of persons who can periodically give their time and attention to the association. Thus each savings and loan association has a board of directors elected by the members, as the savers and borrowers are called.

The members choose the directors at annual meetings, where

reports are made by the officers and where any other business of direct concern to members may come up. The board of directors usually consists of outstanding business and professional men in the community, experienced in handling business affairs, and interested in the community's betterment. Directors meet usually once a month, though sometimes more frequently, to determine the policy and business practice to be followed by the association, including the conditions under which the loans are made. The splendid record which savings and loan associations have achieved throughout the United States is in large measure due to the unselfish service of these boards of business and professional men who carry heavy responsibilities in administering the savings of millions of people.

These men cannot, however, take care of the day-to-day business of the association, because they have their own business or professional duties. Accordingly, they select for the association officers with varied titles, as, for example, president, executive vice-president, secretary or treasurer. In large institutions there will be several active officers, each carrying his appointed responsibility, and the necessary amount of clerical help.

State and federal laws provide methods of organizing savings and loan associations and outline the operations in which they are permitted to engage. The various state governments have established supervising authorities for these associations just as for banks and other types of financial institutions directly affecting the welfare of millions. They see to it that the associations operate according to law; make sure that the books and records accurately reflect their business and the status of their accounts with savers and borrowers; assure themselves that all the money placed there is worth one hundred cents on the dollar. Besides these assurances that the public can deal safely with the associations, the law usually requires surety bonds so that if any persons having access to cash or other valuable assets yield to the temptation to be dishonest, the surety company will cover the loss. In addition to associations chartered by the various states, there is a group known as "federal savings and loan associations." They operate under laws passed by the Congress, and under the rules and regulations formulated by the Federal Home Loan Bank Board, which is the agency designated by Congress to supervise them. The Board has supervisory responsibilities similar to those just mentioned for state authorities.

Whether operating under state or federal charter, the institutions follow essentially the same principles in helping make America a nation of debt-free home owners and of thrifty, financially independent citizens. . . .

MEETING THE TEST OF TIME

The first savings and loan association in the United States was organized in Frankford, Pennsylvania, in 1831, patterned after similar institutions which had been operating under the name "building societies" in England for half a century prior to that. Accordingly, present association activities in the United States are based on the successful experience of more than a hundred years, tested in a number of major business depressions.

After that one small association in Frankford, associations were organized and spread all over the United States, so that by 1938 there were few communities without the services of one or more of these cooperative financial institutions. With total assets of approximately \$5,600,000,000 at that time they had come to occupy an important place in the financial structure of the nation. In them by that date were the savings of 7,000,000 American citizens, and they were helping between 1,500,000 and 2,000,000 families to debt-free home ownership. Nationally, they are the dominating source of home-financing funds, and their ability and willingness to lend for new construction, as well as for other purposes, is making possible not only an easy road to home ownership, but also employment for hundreds of thousands in the building trades. The savings and loan association can justly be reckoned among the institutions that have helped to make America great.

RECENT AMERICAN DEVELOPMENTS IN COOPERATIVE BANKING⁴

By I. H. HULL

(General Manager, Indiana Farm Bureau Cooperative Ass'n., Indianapolis)

Since establishing our little Cooperative Bank down in Indiana we have had a rather wide variety of problems and experiences which might be of interest to other cooperatives contemplating a similar financial set-up.

⁴ Quoted, with permission, from *Consumers' Cooperation*, Special Congress Issue, Nov.-Dec. 1940, Cooperative League, U. S. A., New York, pages 190-191.

Because of the legal requirements it was not possible to follow all of the rules of orthodox cooperative organization. For instance, under our banking law at the present time; we are required to allow voting privileges on the basis of shares of stock held. There is also some question about the legality of patronage dividends.

In setting up our bank we got around this technicality by providing in the Bylaws and Articles of Incorporation that all stock, excepting only the directors' qualifying shares, must be owned by cooperative and non-profit corporations. In order to get as complete a representation of the various cooperatives and non-profit activities as possible, we divided the potential stockholders into four classifications: first, wholesale cooperatives which could be either buying or selling cooperatives; second, retail cooperative associations of all kinds; third, credit unions; and fourth, any other non-profit corporations. In this group at present is the Indiana Farm Bureau. Any charitable institution, church, or non-profit membership group would be qualified under this classification.

Each of these groups is entitled to at least one representative on the board of seven directors and the groups which qualify for extra directors do so by virtue of the volume of business furnished during the preceding year. At the present time we have sixty-one different stockholder corporations.

The bank still continues to serve as the only bank in the community of Beech Grove, a city of 4,000 people. It is quite likely some local non-profit organization in the community may become a stockholder representative in the community and nominate a director for the board.

The operations for the past year, while humble in scope, compared with many of our cooperative activities, have nevertheless been very gratifying. At least, we have gotten over the feeling that there is so much mystery in the operation of a bank that it requires some sort of superhuman being to operate it. As a matter of fact, up to now I know of no activity we have ever undertaken that has caused less headaches.

Resources during the year and four months of our ownership have increased from \$155,730.00 to \$233,461.00. We have been so careful and conservative in the making of loans that available unloaned cash has gone up from \$26,000.00 to \$72,000.00. The earnings of the bank could have been considerably larger had we kept more of this money loaned out but during our experimental

period we have been very careful and have not tried to get the lowest interest rates although good County Cooperative Associations, with satisfactory financial statements, able management, and which own as much as \$500.00 worth of stock in the bank are borrowing up to \$5,000.00, our present legal limit, at 4%. We are sure that this interest rate can be very materially lowered when our volume of business becomes large enough to reduce our general operating costs. As matters stand, we have increased our holdings of bonds from \$27,000.00 to \$54,000.00 during the year. I know of no good reason why the note of a strong local cooperative is not just about as safe as a government bond.

With this in mind, the board has authorized the classification of the local cooperatives according to their soundness and have given the loan committee permission to make loans to A-1 cooperatives who are also owners of stock in the bank in the amount of as much as 10% of the loan at a graduated rate which might be as low as $2\frac{1}{2}\%$.

The thought is that this method of classifying loans and giving preferred interest rates to the counties which keep themselves in a strong position should be a very tangible and obvious incentive for all borrowing cooperatives to keep their financial statements as good as possible.

During the period of our operations, demand deposits have increased from \$84,000.00 to \$107,000.00 and savings accounts from \$27,000.00 to \$58,000.00. Some of this extra deposit may belong to employees of the state cooperative association but as yet very few of them, and none of the outstate members of cooperative associations, have placed deposits in the bank. This is because we have not encouraged these deposits until we had gained a little more operating experience and until the present cash on hand is loaned out. The payments of the Federal Deposit Insurance Corporation and other expense add up so that the deposits cost about one-half of one per cent per annum and it can become something of a burden to have a lot of deposits that are not working. However, we are gradually working out of this situation now and as fast as we need more money to loan for a good while to come we can simply go to our own people, asking them to transfer their deposits as we need them.

Our loans to a large extent to our members in the state are made to discount farm machinery and fertilizer notes.

It is all so easy and simple that one wonders why we did not undertake this kind of a program years ago.

I cannot say that the control of our own finance is the most important feature of the cooperative movement. Perhaps our educational program should come first. We think of the whole cooperative movement as a sort of living vital thing. The educational movement would represent the head but just as truly the cooperative bank will some day be recognized as the heart of the movement, gathering in and pumping out the life blood of finance, without which the cooperative movement will quickly lose its democratic control and fall into the control of those who furnish the money even though that money may be the deposits of the very members who constitute the cooperative.

The time is not too soon to begin an *active, voluntary mobilization* of cooperative resources. Our finance setup should be the potential meeting ground of all genuine cooperatives and should have no restriction of membership requirements except genuineness of cooperative character.

SUMMARY TABLE OF NUMBER OF ASSOCIATIONS, TOTAL MEM
LOAN ASSOCIATIONS,

	Number of Associations			Number of Members			
	State	Federal	Total	State	Federal	Total	Increase or Decrease of Total over 1936
Alabama.....	24	14	38	8,250	5,120	13,370	1,036
Arizona.....	1	2	3	718	613	1,331	130
Arkansas.....	10	35	45	4,800	4,793	9,593	9
California.....	124	69	193	218,401	36,183	254,584	9,330
Colorado.....	36	25	61	17,505	14,000	31,505	1,419
Connecticut.....	37	15	52	27,097	7,422	35,329	5,123
Delaware.....	43	..	43	14,900	.....	14,900	700
Dist. of Columbia.....	27	1	28	129,780	.....	129,780	6,796
Florida.....	45	49	94	6,750	15,398	22,148	5,796
Georgia.....	23	43	66	9,998	11,151	21,149	2,104
Idaho.....	4	9	13	1,800	6,508	8,308	576
Illinois.....	660	102	762	286,500	55,507	342,007	5,330
Indiana.....	208	66	274	89,600	67,868	157,468	9,448
Iowa.....	68	32	100	38,990	6,096	45,086	1,859
Kansas.....	129	20	149	109,512	6,500	116,012	22,037
Kentucky.....	127	48	175	72,820	39,543	112,363	5,177
Louisiana.....	70	12	82	98,418	5,987	104,405	10,039
Maine.....	36	6	42	24,028	433	24,461	22
Maryland.....	875*	28	903*	201,300	12,288	213,588	5,663
Massachusetts.....	189	26	215	344,251	55,758	400,009	5,798
Michigan.....	58	24	82	81,280	14,335	95,615	15,549
Minnesota.....	47	31	78	20,019	28,173	48,192	7,372
Mississippi.....	25	21	46	4,200	2,823	7,023	456
Missouri.....	184	37	221	155,000	23,063	178,063	17,097
Montana.....	20	3	23	14,825	4,386	19,211	799
Nebraska.....	76	16	92	83,005	4,396	87,401	556
Nevada.....	4	1	5	1,140	.....	1,140	110
New Hampshire.....	28	2	30	14,074	3,477	17,551	489
New Jersey.....	1,423	..	1,423	585,395	.....	585,395	56,495
New Mexico.....	13	8	21	3,329	899	4,228	80
New York.....	320	64	384	376,568	133,480	510,048	71,033
North Carolina.....	168	15	183	100,272	5,112	105,384	14,373
North Dakota.....	18	5	23	7,930	1,817	9,747	5,048
Ohio.....	621	103	724	1,157,475	149,325	1,306,800	286,667
Oklahoma.....	41	32	73	14,401	24,225	38,626	918
Oregon.....	14	23	37	16,982	10,060	27,042	646
Pennsylvania.....	2,103	54	2,157	510,402	17,215	527,617	58,863
Rhode Island.....	8	1	9	49,401	250	49,651	2,282
South Carolina.....	44	30	74	8,110	9,316	17,426	1,963
South Dakota.....	14	5	19	5,290	1,515	6,805	92
Tennessee.....	7	38	45	2,290	12,889	15,179	7,781
Texas.....	87	89	176	42,762	16,713	59,475	3,433
Utah.....	15	6	21	21,600	4,830	26,430	201
Vermont.....	12	2	14	5,500	908	6,408	850
Virginia.....	77	21	98	38,650	7,467	46,117	2,344
Washington.....	34	36	70	70,000	72,222	142,222	7,155
West Virginia.....	48	21	69	21,300	8,241	29,541	729
Wisconsin.....	175	27	202	173,886	6,111	179,997	4,144
Wyoming.....	5	9	14	3,462	1,221	4,683	4,062
Hawaii.....	9	1	10	21,500	1,050	22,550	1,718
Alaska.....	..	1	1	.....	56	56	50
Totals.....	8,434	1,328	9,762	5,316,276	916,743	6,233,019	..

* Estimated.

⁵ Quoted, with permission, from *Building and Loan Annals*, Secretary's Annual 1938, pages 6-7.

BERSHIP AND TOTAL ASSETS OF SAVINGS, BUILDING AND
BY STATES, 1937⁵

Amount of Assets				
State	Federal	Total	Increase or Decrease of Total over 1936	
\$ 7,821,273	\$ 4,848,272	\$ 12,669,545	\$ 3,035,303	.....Alabama
424,257	1,504,464	1,928,721	762,046	.....Arizona
4,129,211	8,629,718	12,758,929	1,356,997	.....Arkansas
224,504,988	68,456,501	292,961,489	14,880,431	.....California
12,268,471	16,526,261	28,794,732	47,319	.....Colorado
22,896,347	8,157,925	31,054,272	4,258,814	.....Connecticut
12,414,227	.....	12,414,227	143,920	.....Delaware
120,614,000	.....	120,614,000	7,343,508	.....Dist. of Columbia
6,126,289	29,100,540	35,226,829	9,415,540	.....Florida
6,396,672	14,022,419	20,419,091	6,052,125	.....Georgia
801,892	6,146,403	6,948,295	1,106,507	.....Idaho
258,057,130	81,879,596	339,936,726	15,132,523	.....Illinois
77,797,971	77,783,339	155,581,310	1,115,617	.....Indiana
33,027,368	7,886,249	40,913,617	2,219,875	.....Iowa
66,928,112	8,784,574	75,712,686	2,562,354	.....Kansas
53,739,583	51,277,281	105,016,864	5,497,198	.....Kentucky
77,585,442	11,498,970	89,084,412	9,053,340	.....Louisiana
22,691,391	442,012	23,133,403	627,773	.....Maine
140,900,000*	17,931,441	158,831,441	5,078,759	.....Maryland
396,782,814	70,409,501	476,192,315	14,946,872	.....Massachusetts
94,309,666	19,259,920	113,569,586	1,816,475	.....Michigan
21,873,804	28,707,060	50,640,864	7,919,749	.....Minnesota
5,148,000*	3,158,487	8,306,487	1,154,279	.....Mississippi
95,291,779	32,601,225	127,893,004	2,001,099	.....Missouri
9,568,395	1,595,123	11,163,518	4,781	.....Montana
65,852,076	5,425,121	71,277,197	5,099,805	.....Nebraska
952,464	.....	952,464	91,135	.....Nevada
11,157,512	5,790,686	16,948,198	1,434,735	.....New Hampshire
792,361,056	.....	792,361,056	91,110,026	.....New Jersey
3,578,944	1,217,374	4,796,318	583,005	.....New Mexico
256,266,687	122,233,902	378,500,589	15,101,673	.....New York
67,415,711	8,399,193	75,814,904	9,779,362	.....North Carolina
8,748,137	1,647,464	10,395,601	558,847	.....North Dakota
648,920,718	161,777,514	810,598,232	18,172,974	.....Ohio
19,757,674	39,313,016	59,070,690	2,186,995	.....Oklahoma
14,301,958	10,709,808	25,011,766	3,704,411	.....Oregon
573,576,873	23,128,363	596,705,236	62,519,481	.....Pennsylvania
35,856,065	252,075	36,108,140	1,742,272	.....Rhode Island
8,030,285	11,270,063	19,300,348	3,766,046	.....South Carolina
3,173,279	1,406,407	4,579,686	111,841	.....South Dakota
1,700,000*	17,886,758	19,586,758	1,008,088	.....Tennessee
59,530,001	24,186,152	83,716,153	6,001,015	.....Texas
21,206,610	5,290,144	26,496,754	848,056	.....Utah
4,270,726	1,278,555	5,549,281	543,041	.....Vermont
30,995,147	13,263,090	44,258,237	1,227,182	.....Virginia
19,000,000	33,742,091	52,742,091	8,046,588	.....Washington
14,816,377	11,690,624	26,507,001	2,505,471	.....West Virginia
178,462,121	8,672,614	187,134,735	336,373	.....Wisconsin
3,297,696	2,083,488	5,381,184	157,559	.....Wyoming
4,329,993	1,673,460	6,003,453	873,506	.....Hawaii
.....	95,975	95,975	95,975Alaska
\$4,619,557,192	\$1,092,101,218	\$5,711,658,410	30,277,020Totals

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Part V

THE SOCIAL PHILOSOPHY OF THE COOPERATIVE MOVE-
MENT AND A POSSIBLE COOPERATIVE COMMONWEALTH

COOPERATIVE SUBSTITUTES FOR THE POLITICAL STATE

A DEMOCRATIC NONGOVERNMENTAL SUBSTITUTE FOR THE
POLITICAL STATE¹

PERHAPS there are supermen who can tell the people what to do to be saved, who could lead the people into the promised land and save them. There are undoubtedly many who know better what is good for the people than the majority of the people know. Many of these wise ones want to save the people. But there are also many stupid ones who would lead the people astray. A function of democracy is to save the people from being led to salvation by the wise and from being destroyed by the stupid. This is salvation by the law of averages. It provides for the people the satisfaction of saving themselves and the lesson of making their own mistakes.

Democracy is the people governing themselves. It means equal rights, duties, privileges, voice, and opportunities in the administration of public affairs. . . .

THE COOPERATIVE SUBSTITUTE FOR THE STATE

Evolution may substitute cooperative democracy for the state. This is now to be seen in many countries, coming about as a continuation of the growth of the cooperative method of organization and its encroachment upon the dominant system of society.

The beginning of this organization of society now exists in the cooperative associations. There are (1) the local societies. Next comes (2) the national society, which is a federation of the lesser organizations. Forty such national societies now exist, and are united in (3) the International Cooperative Alliance. Here is the

¹ Quoted, with permission, from *Cooperative Democracy*, 3rd edition, by James P. Warbasse, President, The Cooperative League of the United States of America, Harper & Brothers, New York, 1936, pages 135-151.

framework and the beginning of the cooperative society of the world.

The international union of cooperative societies in the International Cooperative Alliance has a constitution similar to that of the national bodies. Its purpose is to serve the interest of each unit—in England, Japan, Iceland, New Zealand, or any other corner of the earth; and it is controlled by these units.

These bodies already have their constitutions and their rules. They differ from political organizations; they do not make laws. Through the democratic franchise of the whole membership the cooperative society, with its monthly, quarterly, or yearly meetings of constituent members, is controlled by the people. This differs from the political society in which the people elect their representative to parliament or congress, and control usually passes from the people's hands; in some countries the control is gone for many years after the election.

The cooperative organization of society, unlike the political organization, begins out among the people and not at the national center. Political organization exalts the central government; cooperative organization exalts the local society which is close to the individual. The national cooperative society is a union of a multitude of local units in the interest of the *members*. A national political state is a union of states or districts in the interest of the *state*. Cooperation seeks the good of the neighborhood in which it begins. This is one of the elements of its strength. Any democratic organization of society must focus its efforts on the neighborhood—the people who know one another and whose problems are similar. The neglect of this principle in political government has cost it its democracy, and left the people confused and bereft of control.

Where cooperative societies become large, they divide into districts to preserve local autonomy. Some divide into small block groups. The form of organization adopted by the whole tends to be an enlargement, a continuation, of the local organizations.

The cooperative movement is restoring the old "town-meeting" principle of local government. It is doing this in many parts of the world. The meeting of the local cooperative society is a substitute for political action. The members' meetings of the cooperatives are schools in the local control and administration of the people's affairs. One may pass from a session of a municipal council to a meeting of the directors of a cooperative society with

a profound impression of the fundamental difference between the two.

We have seen that the cooperative society in well-organized countries has to do with problems that are close to the lives of the people; that the methods of the meetings are democratic; that women as well as men participate.

Besides their local affairs, the societies have their national problems to discuss and national affairs to control. We have found that the national unions and leagues and the national wholesale societies are made up of local societies, and are controlled by them. The members elect the directors of these organizations and criticize their policies. It is a noteworthy fact that the directors of the wholesales usually are elected from the local administrative boards. They bring to their larger tasks experience with the people and the people's business. The local societies have served as the schools in which they got their administrative skill. We have seen that these wholesale directors are often full-time employees. They come from the masses of the people they represent. They have had the best possible experience to qualify them to serve their constituents efficiently and sympathetically.

Each local cooperative society, we have seen, is managed by a board of directors elected by the people. Experts to perform special functions are appointed or are developed among the members. Committees on financial control, education, recreations, arbitration, and other special functions are elected and appointed. The number and character of these special committees are limited only by the number and character of the enterprises in which the society engages. By this means is secured administration by trained experts. The centralized bodies, however, are always controlled by the local societies. It is its capacity to decentralize control that gives the cooperative idea its power for democracy.

This cooperative movement takes the existing machinery of industry, which is devoted to the purpose of making profits and creating classes that keep men asunder, and adapts it to the function of supplying the people's needs, creating friendships, and drawing men together. The economic basis of cooperation is its strength. The mainspring of man's social actions is his interest in the simple problems of his physical needs. The causes of great social changes in every age are to be found in production, distribution, and exchange.

The union of the people about their homes, the cooperation of

neighbors working together to get the things they want, gives strength to society.

The more of the business of the people that can be carried on by local groups, the better it is for society. Instead of great central governments, to which the people look for help and guidance, we may hope for a world of nations each made up of thousands of little communities; and each of these little communities a self-governing society of neighbors. These little cooperative nations of neighbors should be as self-sufficient as possible. Production and distribution should be kept close to the people concerned. The delegation of authority and the appointment of representatives to central bodies should only be for purposes which are beyond the capacity of the local community. Cooperation is moving in this direction.

But there are larger purposes, and national federation of the communities is essential. For purposes of efficiency, centralized administration is adopted. Decentralized control and centralized administration are the cooperative rule. The important provision of administration is that control shall never be permitted to escape from the hands of the people.

By this practical means of building from the ground upward, as the cooperative societies are now doing, a nongovernmental society is in process of creation in the place of the political state.

The present structure of cooperative societies is well adapted to an all-embracing expansion. The Cooperative Union, for example, which is a federation of the British societies, carries on a vast amount of business in the interest of its constituent societies. Its societies are constituted in eight district groups. Its headquarters are in its own building in Manchester. It has branch offices in other cities. It has a central board, and an educational department which carries on much educational work. Its annual congresses are composed of over a thousand delegates. This central body is in operation every day throughout the year. But it cannot control or coerce its constituent societies; they control it absolutely.

The British union is not a legislative body. It is in every sense a union in which the individual members of cooperative societies, acting through their local societies, promote and protect their interests. The union makes surveys, it collects and publishes informative reports, it shows societies how they may meet their problems, it takes steps to protect them from the political state and from profit-making business, and it makes available the

lessons to be learned from the mistakes and successes of its many member societies. Its supreme function is to do the things that are for the good of the members of the constituent societies. This motive and method stand in strong contrast against the motive and method of the centralized national government of a political state which passes laws to control and govern the citizens.

The national cooperative wholesale societies are organized similarly to the union. They are owned and controlled by the member societies. They have to do with the material and the substance of the movement, as the unions have to do with the spiritual and intellectual affairs. In many countries the educational and commercial functions are combined in one national organization. This is the method in Sweden and is adapted to that country. In all countries the two work in close harmony. The annual reports and the transactions of the congresses of these organizations in the many countries of the world are piling up an accumulation of history and facts which society may some day cherish as jealously as it now esteems the voluminous traditions and laws of its centralized legislative bodies.

As the cooperative democracy evolves from the political society, decentralization of social affairs is seen. The serious work of the people is carried on out among the homes where the people are. The central national federation is an efficiency undertaking for better group action. At present the citizens of the political state turn their eyes toward the national capital for relief in their distress; in the cooperative society the people look to their own local group to solve their problems themselves.

Already the national bodies exist which might supplant the political government. These are: (1) the national cooperative unions and leagues and the wholesales, and (2) the national labor bodies. If we adopt some of the language of the state, one would be called (1) the Cooperative Assembly, the other (2) the Industrial Assembly. The two would unite to form the national congress, which would be the substitute for the political parliament. The first would represent the consumers' societies from geographic sections; the second would represent the cooperative workers from each major industry, trade, and occupation. In Great Britain, the Cooperative Union, along with the Scottish and English cooperative wholesales, would constitute the Cooperative Assembly; and the British Trades Union Congress with the na-

tional farmers' organization would constitute the Industrial Assembly. This is the substitute for the Houses of Commons and of Lords. A similar set-up is applicable to the United States. The Cooperative League, with its educational work on one side and its National Cooperatives, as its business department, on the other side, represents the consumers. Organized labor and the farmers' productive associations of all kinds represent the producers.

As a matter of fact, this would not be so great a change from the present political system of representation as it might seem. In many countries the "lower house" theoretically is supposed to represent the consumers in all the geographical sections of the country in proportion to their number, and its deliberations are supposed to be in the interest of the consumers of each constituency. The Senate, or "upper house," is really an industrial assembly. Its members in general represent the great industries such as railroads, coal, steel, lumber, oil, land, cotton, banking, etc. The representatives in this central body are, however, not workers in these various crafts but are often lawyers and agents of business, representing chiefly owners. The confusing aspect of this present political organization is that the owners are a comparatively small and privileged class and their representatives in the industrial assembly are required to promote the fiction that their concern is for all of the people.

As profit-making business, with its possibilities of war, labor disorders, and crime, and its need for police, courts, jails, and legislation, declines, the political functions would be curtailed. As civilization proceeds, the useful functions now performed continue to devolve more and more upon the cooperative society. In the course of time, it may be possible, the relic of the political state would disappear, or remain as the Bureau of Extrasocial Affairs, having to do largely with the vagrant souls who do not care to be members of the cooperative society. I trust that existing governments will take no offense at this prophecy of their fate. The consolation is offered, that worse things than this happen to governments.

The successor of the national political government would then consist of a national congress composed of the two groups, the representatives of the consumers and the representatives of the workers. These would be closely harmonized as individuals for the reason that the workers, first, would be employed in cooperative industries owned by the consumers; and, second, they would

as individuals be members of the consumers' societies which own the industries and which give them employment.

Already the workers and the employers in cooperative industry would have come close together. Here at last we see them meet as the representatives of the people who are in the enterprise of doing with their brains and their hands the useful services needed by society. When this point in the social evolution is reached, the interests of industry, housekeeping, the family, and the supplying and enjoying of things will have at last arisen to the importance now occupied by the state. The government, the police power, the political regulating authority, and the profit-making system will have receded to a minor position.

The political state is occupied with governing people; the cooperative democracy is concerned not with the government of men, but with the administration of things.

There are usually three departments in a state government: the legislative, executive, and judiciary. The useful features of these three departments can be assumed by the cooperative democracy. The congress of the consumers and workers can take the place of the present legislative department of government. Instead of the legislative functions of governments, the local cooperative societies and the national congress would adopt rules and regulations for mutual good. Lawmaking as such would not prevail. The functions would be those of collecting information, the promotion of ways and means for supplying needs, the formulation of policies, and the framing of mutual agreements.

The centralized federal functions of the societies would be reduced as much as possible and would have to do only with those affairs which can be treated best by a body of representatives covering a large geographical area and representing many people. They would be largely advisory and administrative. The collection and collation of facts and information would receive especial attention as the foundation for action. The chief conference, advisory, and administrative functions would be carried on by the local societies, leaving for the national organization as little as possible. Its function would be, as is that of national cooperative congresses, largely fact finding, educational, and inspirational.

The executive department in a cooperative democracy would grow out of the boards of directors of the constituent national organizations. Such an executive board would serve as a national body for quick action and administration. It would appoint the

various technical administrative boards. These technical boards would be comparable to what now constitutes the various departments and ministries of the governments such as have heads called "secretaries" and "ministers."

Foreign relations and other special functions would naturally call for experts. A finance department would employ experts to administer fiscal affairs. The dispatch department would have to do with highways, railroads, transportation, mails, telegraph, and express. The science department would have to do with the promotion of discovery and invention, the rewards and protection of inventors, weather prognostication, geological surveys, statistics, standardization, and everything in the interest of science. The health department would have to do, not only with regulating health administration, but with providing the people with information. It should also indicate the steps which local societies may take to protect the health of their members. The departments of education, recreation, arts, and vocational training would organize these respective interests. The department of police would perform those social services of direction and assistance which represent the useful police functions. Each of these technical departments would have its necessary experts appointed because of fitness, precisely as the board of directors of a cooperative society now appoints managers and other experts.

The judiciary, as represented in the Supreme Court in some states, would disappear. In its stead would be the Board of Arbitration. This body would arbitrate questions of national scope. It would be governed by rules of procedure similar to those governing the Boards of Arbitration of local district societies. Civil cases, representing differences between individuals which constitute much of court practice, would come before a Board of Arbitration. The board for delinquents would be a local body.

These are some of the more important departments. The congress would have the power to recommend the establishment of others according to the needs. Elections as a rule would be for short terms. Proportional representation would be provided.

The national bodies would perform the functions of central administration such as are now thought of in connection with a national government. A similar organization would exist in districts, states, counties, or townships as the population and needs of the people indicate. The national organization, thus created by

the local societies, would derive its authority from them and be controlled by them. There would be nothing comparable to the present centralized government or control. The control would be from without toward the center.

COÖPERATION AND THE SOCIAL OFFENDER

The governmental department which, perhaps, is most closely incorporated in the state is the judiciary. Let us take this branch of government, and with reference to its most difficult side, dealing with the social offender, and apply to it the tests of cooperation. It is assumed by statesmen that the state is necessary especially for the purpose of the "administration of justice." For this reason, let us examine this matter in the light of its nonpolitical possibilities.

. . . As to the criminal who has offended against the individual or against society, he is either sick or he is a creation of the political state. Cooperative democracy should not recognize him. There is no criminal. Of all the crimes committed by the political society, among the greatest are its crimes against its criminals. As the political society multiplies laws, it multiplies criminals. The number of criminals is increased while the human character remains unchanged. This is a political paradox. The state makes criminals and then proceeds to commit crimes against them.

The man who has done a cruel, unjust or unsocial act naturally falls within one of two classes: he is mentally defective, sick; or he is the victim of social injustice. Sending him to jail as a punishment, or killing him, is the remedy for neither of these.

. . . How can diagnosis be substituted for persecution, and treatment for punishment? Instead of the court, cooperative democracy would have a board for delinquents. This would be a diagnostic institute—diagnosticians, instead of judges. The diagnosticians would be of two classes, the physicians, alienists, and psychologists, and the sociologists; each would have advisory experts. The first of these would be learned in problems of action of the human mind with special reference to its abnormalities; the second would know the relations of society to human conduct. These are, indeed, different from the judge, whose qualifications consist in his knowledge of the fixed laws of the state, with especial reference to their relations to punishments; his knowledge of humanity and his sympathies may be negligible.

The diagnostic work having been done and the decision made, the remedy would then be in the hands of still another tribunal, precisely as in medicine the departments of diagnosis and treatment are best administered separately.

The mentally disordered person who has done an unsocial act would be placed under treatment for his disorder.

. . . In the event that a delinquent has done an unsocial act because of the influences of society upon him, the important step is that society shall publicly be advised of its deficiency and that the proper body shall be charged with carrying out constructive remedies in the interest of both the offender and the offended against. Scientific and humane examination of offenses tends to wipe out the "offense" and leave little to forgive. "To know all is to forgive all." Should there remain a moral sense of guilt, forgiveness is the treatment to heal the last vestige of the wound. This is an old principle that has come down to us from the East through at least five thousand years. It has an enduring virtue. The modern doctrine of punishment, which has been promoted by the zeal for autocratic power, for privilege, and for the suppression of democracy, has nothing comparable to offer.

While these social reforms may be carried out in other forms of society, three facts remain: they are not carried out in the present capitalistic society; the present society is not organized nor qualified to carry them out; and the cooperative democracy is adapted to their evolution.

It is entirely possible that, as cooperative democracy grows, the world may shake off the complex and brutalizing web of procedures in which it has become enmeshed, and introduce the principles of science, kindness, and justice in their stead.

THE COOPERATIVE STATE²

It is generally admitted that the modern legislative body, even though it has social democratic characteristics, is utterly helpless to prevent the masses from being proletarian, or to save them from panic and depression. The cause is easily discovered, in that the parliamentary machine concerns itself only with legislative problems to the neglect of the fundamentals of industry, and of the

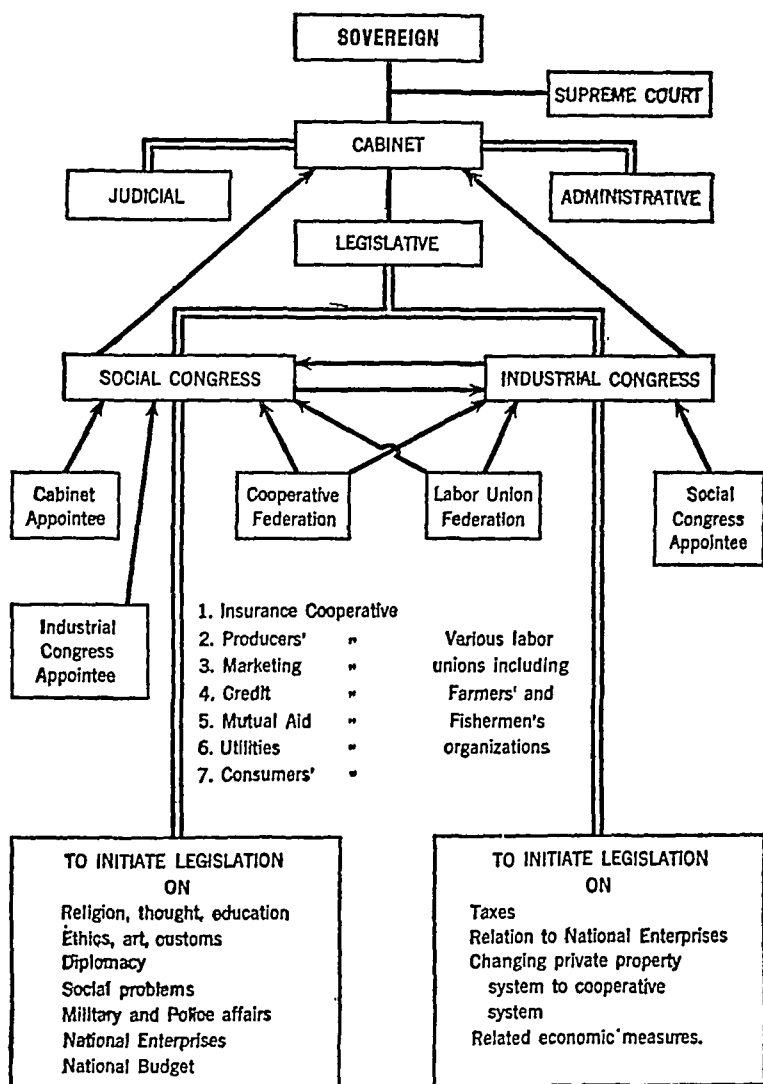
² Quoted, with permission, from *Brotherhood Economics*, by Toyohiko Kagawa, Harper & Brothers, New York, 1936, pages 154-178.

professions in which people have the greatest concern. That is to say, it fails to touch fundamentally the problems of life.

In order to carry into effect in all phases of life the principle of brotherhood love a cooperative state should be established.

GOVERNMENT OF A COOPERATIVE STATE

*(Double lines indicate function.
Single lines indicate relationship.)*



This would be built upon the basis of economic cooperatives incorporated into a national federation and would consist of two houses, called the industrial congress and the social congress, and a cabinet.

COOPERATIVE FEDERATION

The purpose of a cooperative federation would be to free national industry from the system of exploitation, and to lead it to planned economics. Its coordinated organs would be: First, health and insurance organizations; second, producers' cooperative societies; third, marketing and transportation cooperatives; fourth, systematic organization of credit cooperatives; fifth, organizations belonging to mutual aid cooperatives (educational, professional, and social welfare); sixth, utility cooperatives; seventh, consumers' cooperatives. If these seven kinds of cooperatives were coordinated in a federation, the problems of industry and all the internal industrial problems of a nation would be studied—in particular, the three great problems of property, inheritance, and contract. Such a cooperative federation would carry on a systematic study of all the problems relating to all of these coordinated organizations in order to rationalize industry to avoid waste and thus to be mutually helpful, with no organization profiting at the expense of the other. This federation would discuss not only the ways and means of the cooperative movement inside a nation, but would also study and discuss practical ways and means of international trade through cooperatives. . . .

THE INDUSTRIAL CONGRESS

We have persistently stated that the element of legislation is only one of the seven elements of economic value, and, therefore, its function is only one-seventh of the whole. In order to remedy this defect in the legislative body which is based upon social democracy, its members should be elected chiefly from the seven types of cooperative organizations through the cooperative federation. If we depend upon resolutions passed by this consumers' cooperative federation alone, however, laborers who are engaged in production and other forms of work, may be faced with unfair laws. A labor federation should be formed, therefore, in order to protect the rights of laborers. Representatives from the cooperative, and from the labor federations should constitute the membership of this proposed industrial congress. This would enable the industrial congress to deal fairly with all matters under its jurisdiction.

This congress would consider first industrial problems. It would discuss and legislate in all matters concerned with the economic life

of the nation, building upon a planned and non-profiteering basis. The congress would also reexamine all measures referred to it by the social congress. Such matters as relate to religion, philosophy, ethics, diplomacy, military affairs, and the national budget would receive criticism and adjustment from the standpoint of the various industries.

The greatest problem for the industrial congress, however, would be the consideration of how the vast productive organizations which have been developed under the capitalistic system, might be brought under cooperative management. If coordinated cooperatives are combined in a federation, the nation could loan paper money to the credit cooperatives without interest, and thus enable the federation to purchase all the main industries of the nation. Even if everything were brought under national management, however, the change might produce but another form of capitalism. If the principles of cooperative management were not understood, wealth would again be concentrated in the hands of the few through the existing monetary system. Another solution of this problem would be to recognize the ownership of individuals with the cooperatives buying the right of management from them under a plan of long term installments. In case of violent revolution confiscation would expedite this transfer. In a cooperative state, however, there can be no resort to violent confiscation, but only an opportunity given to capitalists to withdraw in an orderly manner. If control were secured by purchase instead of by confiscation and if the terms of purchase extended the payment over a considerable period of time, the capitalists would come to recognize the new order as valid and might find in it a new field for their activities. The greatest problem for the industrial congress to consider would be some method of transferring the system of private property over to a system of cooperative property.

The next study for the industrial congress would be the rate and amount of taxation which cooperatives should pay to the nation. A form of single tax might be levied, or the present system of multiple taxation might be continued as under the capitalistic state. Although single tax may be ideal in the cooperative state, its method of collection would be difficult. The nation might be compelled to maintain the old form of multiple taxation.

The industrial congress should investigate also ways and means of establishing close relations with enterprises which are already under public control. If these are progressing smoothly and if

proper connections be made, then cooperatives might let them continue as they are. If nationally owned enterprises like the postal service, telephone, and telegraph service, are rendered more efficient because they are national, the cooperatives should by all means continue them as such. Those enterprises which have psychological elements, such as national health insurance, and unemployment insurance, should be carried on under a combined national cooperative management. Most things that may be classed as consumptive economics would be promoted better under cooperative management which permits a greater efficiency because of its elasticity.

THE SOCIAL CONGRESS

An industrial congress alone, however, would have no facilities by which to care for research in such problems as those of religion, thought, art, education, culture, music, and morals. Hence, experts or professional persons should be elected to give themselves solely to such work. Even though such problems as diplomacy and military affairs have a relation to industry, they are in a different sphere and should also be assigned to specialists. Beside the industrial congress, therefore, a social congress should be formed to which persons from the organs coordinated with cooperatives and with labor unions should be elected, and in which the industrial congress itself should be represented by those whom it elects. General elections would be necessary in order to meet the requirements of mass psychology. Hence, the majority of the members of the social congress should be elected by universal suffrage.

Since the social congress is to be subject to, and controlled by, current thought and opinion, it would have a tendency to indulge in trifling debates which would result only in differing judgments and failure to reach a unanimous agreement. This would be very detrimental to industrial legislation. If cooperative unions were to be divided on every new issue, the result would be chaos and unrest. It is evident, therefore, that the social congress should be absolutely separate from the industrial.

The laws which would be passed by the industrial congress should be submitted to the social congress which would approve or veto them as it did, or did not, consider them proper social measures. The social congress should in turn pass them on to the proper executive body. Vice versa, the legislations of the social

congress should be referred to the industrial congress for approval or veto. The reason for getting the approval of the social congress for any measures passed by the industrial congress is to correct abuses in resolutions which might be passed unwisely by force of mass psychology. Also, it would be well to consider industrial programs not only as such, but also from the standpoint of religion, philosophy, morality, and international relations. Obviously, the secondary (or social) congress is a necessity. As I have repeatedly said, there is a fear the industrial organizations may lack ethical consciousness, so that the members become egotistic profit-seekers, who may pass fair measures for internal affairs, while they are too nationalistic in international dealings. To prevent this it is absolutely necessary to form a social congress.

Beside the bills, which might be submitted to it by the industrial congress, the social congress would consider nationally-owned enterprises and the national budget. These matters would then be referred to the industrial congress. Since the personnel of the social congress would be entirely different from that of the industrial congress, it would be unwise to give it final legislative authority even in the matters assigned to it. The members of cooperatives as general tax-paying citizens might be forced by the social congress to bear a disproportionate burden. It would be necessary, therefore, for these measures to be voted upon by the industrial congress also.

We have noted that when cooperatives are organized as coordinated machinery for non-profiteering, planned economics, they have a tendency to center about the interests of consumers. Although they are organized for a non-profiteering purpose, sometimes they have the defect of not considering at all the conditions, the hours, and the wages of the laboring classes. In order to overcome this defect, therefore, we would need to form a labor union legislature which would function with the cooperative federations in matters of laborers' conditions, hours, and wages. The farmers and fishermen who are not usually found in the labor unions, should also be organized. They have heretofore had to sell their products at the lowest possible rates to city middlemen, and need to be organized into cooperatives to assure them proper income and to improve their laboring conditions, both of which accomplishments would raise their standard of living. They would have their voice in the system, if they were organized. If the labor

unions made unusual demands, declaring a general strike in opposition to cooperatives, then the social congress would have to pass upon the dispute as an ethical question, or even appeal to the courts. In a cooperative society people's rights to life and labor would be assured, and a system of unemployment insurance would be established. Unreasonable demands beyond these recognized rights would paralyze cooperative economics. We should, therefore, establish a system of arbitration through which we could adjust smoothly and fairly all problems of industry. . . .

POLICE SYSTEM

In a cooperative state or society where planned economics was carried out on a non-profiteering basis, people might not suffer economically, but there are other ways in which they might be harmed. As long as liquors, syphilis, and harmful drugs remain, many mental patients, idiots, and mentally deficient persons will continue to commit crimes and to disturb the peace. This necessitates a certain measure of police precaution and protection. In order to defend ourselves against the possible internal insurrections of the mentally unbalanced and against the possible mad invasion of a foreign power, we must have a military police force. Of course, if there were an international military police force, we could avail ourselves of that. . . .

PRIVATE OWNERSHIP AND INDIVIDUAL ENTERPRISE

As long as planned economics can be accomplished through cooperatives in all spheres of social economics (marketing, utility, credit, producers', mutual aid, consumers', and insurance), surplus profits could be divided as a reward for individual labor in these spheres with the addition of a possible annual pension and bonus. It is not necessary to have equal distribution; but it may be preferable to make some classification of reward to create just competition. It is necessary to teach the spirit of thrift instead of waste with the savings which are contributed for society. I do not consider it wrong, therefore, to recognize a limited system of private ownership as long as it does not jeopardize public industry. To abolish absolutely the system of private ownership would cause people to form the habit of considering even public property as their own, to abuse as they pleased. In Soviet Russia they tried at first to equalize everything. In the end, they met with failure, however, and I am informed that they now have a system of wage

scales. To ignore private ownership has always been the practice of thieves. . . .

I am not advocating a system of private ownership in all spheres of social economics. I do not recognize the right of private ownership in the fields of production, marketing, transportation, monetary circulation, mutual aid, and utility cooperatives. But I do believe that it is quite legitimate to recognize private ownership of money and personal requirements. In regard to residence we may not recognize the right to absolute ownership, yet we must recognize the right to privacy, undisturbed study, and experimentation. Recognition of such private ownership would never threaten the welfare of social economics. Private ownership of articles involved in private consumption, as long as they do not become luxuries, is no detriment to society.

Although private enterprises would have to be prohibited in a socialistic system, they may be permitted in a cooperative state. I believe that it is necessary to allow individual enterprises to exist in order to encourage social progress through individual invention and discovery. When individual enterprises accumulate too much wealth, however, the industrial congress should legislate to *cooperatize* them lest they jeopardize society. . . .

PHILANTHROPY AND EDUCATION

What would happen to philanthropy and to education if the cooperative movement became fully established. Although there would be fewer rich men under the cooperative system it would be better than capitalism as a system to promote both education and philanthropy. The amount of money in society is the same whether we have extremes of wealth and poverty or a more equitable division. If, as under the cooperative movement, everyone has more nearly the same amount of money it is easier for each to contribute. . . . The more people who are interested in and support philanthropy and education, the sounder is the basis of their support. Moreover, the very experience of participation as a member of a cooperative is educational. At present our capitalistic schools are teaching competition. This cannot possibly be a good education, to teach the enriching of the very few at the expense of the many, to teach competition that leads to war. All of these things are part of our educational system. Both for society and for education we need a cooperative system based on the Christian principles of brotherhood love.

THE RURAL COOPERATIVE COMMUNITY (IRELAND)³

It is the business of the rural reformer to create the rural community. It is the antecedent to the creation of a rural civilization. We have to organize the community so that it can act as one body. It is not enough to organize farmers in a district for one purpose only—in a credit society, a dairy society, a fruit society, a bacon factory, or in a cooperative store. All these may be and must be beginnings; but if they do not develop and absorb all rural business into their organization they will have little effect on character. No true social organism will have been created. If people unite as consumers to buy together they only come into contact on this one point; there is no general identity of interest. If cooperative societies are specialized for this purpose or that—as in Great Britain or on the Continent—to a large extent the limitation of objects prevents a true social organism from being formed. The latter has a tremendous effect on human character. The specialized society only develops economic efficiency. The evolution of humanity beyond its present level depends absolutely on its power to unite and create true social organisms. . . .

Now it may be said I have talked a long while round and round the rural community, but I have not suggested how it is to be created. I am coming to that. It really cannot be created. It is a natural growth when the right seed is planted. Cooperation is the seed. Let us consider Ireland. Twenty-five years ago there was not a single cooperative society in the country. Individualism was the mode of life. Every farmer manufactured and sold as seemed best in his eyes. It was generally the worst possible way he could have chosen. Then came Sir Horace Plunkett and his colleagues, preaching cooperation. A creamery was established here, an agricultural society there, and having planted the ideas it was some time before the economic expert could decide whether they were planted in fertile soil. But that question was decided many years ago. The cooperative society, started for whatever purpose originally, is an omnivorous feeder, and it exercises a magnetic influence on all agricultural activities; so that we now have societies which buy milk, manufacture and sell butter, deal in poultry and eggs, cure bacon, provide fertilizers, feeding-stuffs, seeds, and machinery for

³ Quoted, with permission, from *The National Being*, by George Russell (A.E.), The Macmillan Co., New York, 1937, pages 40-54.

their members, and even cater for every requirement of the farmer's household. This magnetic power of attracting and absorbing to themselves the various rural activities which the properly constituted cooperative societies have, makes them develop rapidly, until in the course of a decade or a generation there is created a real social organism, where the members buy together, manufacture together, market together, where finally their entire interests are bound up with the interests of the community. I believe in half a century the whole business of rural Ireland will be done cooperatively. This is not a wild surmise, for we see exactly the same process going on in Denmark, Germany, Italy, and every country where the cooperative seed was planted. Let us suppose that in a generation all the rural industries are organized on co-operative lines, what kind of a community should we expect to find as the result? How would its members live? what would be their relations to one another and their community? The agricultural scientist is making great discoveries. The mechanical engineer goes from one triumph to another. The chemist already could work wonders in our fields if there was a machinery for him to work through. We cannot foretell the developments in each branch, but we can see clearly that the organized community can lay hold of discoveries and inventions which the individual farmer cannot. It is little for the cooperative society to buy expensive threshing sets and let its members have the use of them, but the individual farmer would have to save a long time before he could raise several hundred pounds. The society is a better buyer than the individual. It can buy things the individual cannot buy. It is a better producer also. The plant for a creamery is beyond the individual farmer; but our organized farmers in Ireland, small though they are, find it no trouble to erect and equip a creamery with plant costing two thousand pounds. The organized rural community of the future will generate its own electricity at its central buildings, and run not only its factories and other enterprises by this power, but will supply light to the houses of its members and also mechanical power to run machinery on the farm. One of our Irish societies already supplies electric light for the town it works in. In the organized rural community the eggs, milk, poultry, pigs, cattle, grain, and wheat produced on the farm and not consumed, or required for further agricultural production, will automatically be delivered to the cooperative business centre of the district, where the manager of the dairy will turn the milk into butter or

cheese, and the skim milk will be returned to feed the community's pigs. The poultry and egg department will pack and dispatch the fowl and eggs to market. The mill will grind the corn and return it ground to the member, or there may be a cooperative bakery to which some of it may go. The pigs will be dealt with in the abattoir, sent as fresh pork to the market or be turned into bacon to feed the members. We may be certain that any intelligent rural community will try to feed itself first, and will only sell the surplus. It will realize that it will be unable to buy any food half as good as the food it produces. The community will hold in common all the best machinery too expensive for the members to buy individually. The agricultural labourers will gradually become skilled mechanics, able to direct threshers, binders, diggers, cultivators, and new implements we have no conception of now. They will be members of the society, sharing in its profits in proportion to their wages, even as the farmer will in proportion to his trade. The cooperative community will have its own carpenters, smiths, mechanics, employed in its workshop at repairs or in making those things which can profitably be made locally. There may be a laundry where the washing—a heavy burden for the women—will be done: for we may be sure that every scrap of power generated will be utilized. One happy invention after another will come to lighten the labour of life. There will be, of course, a village hall with a library and gymnasium, where the boys and girls will be made straight, athletic, and graceful. In the evenings, when the work of the day is done, if we went into the village hall we would find a dance going on or perhaps a concert. There might be a village choir or band. There would be a committee-room where the council of the community would meet once a week; for their enterprises would have grown, and the business of such a parish community might easily be over one hundred thousand pounds, and would require constant thought. There would be no slackness on the part of the council in attending, because their fortunes would depend on their communal enterprises, and they would have to consider reports from the managers and officials of the various departments. The cooperative community would be a busy place. In years when the society was exceptionally prosperous, and earned larger profits than usual on its trade, we should expect to find discussions in which all the members would join as to the use to be made of these profits: whether they should be altogether divided or what portion of them should be devoted

to some public purpose. We may be certain that there would be animated discussions, because a real solidarity of feeling would have arisen and a pride in the work of the community engendered, and they would like to be able to outdo the good work done by the neighbouring communities.

. . . There is nothing to prevent such communities being formed. They would be a natural growth once the seed was planted. We see such communities naturally growing up in Ireland, with perhaps a little stimulus from outside from rural reformers and social enthusiasts. If this ideal of the organized rural community is accepted there will be difficulties, of course, and enemies to be encountered. The agricultural middleman is a powerful person. He will rage furiously. He will organize all his forces to keep the farmers in subjection, and to retain his peculiar functions of fleecing the farmer as producer and the general public as consumer. But unless we are determined to eliminate the middleman in agriculture we will fail to effect anything worth while attempting. I would lay down certain fundamental propositions which, I think, should be accepted without reserve as a basis of reform. First, that the farmers must be organized to have *complete* control over all the business connected with their industry. Dual control is intolerable. Agriculture will never be in a satisfactory condition if the farmer is relegated to the position of a manual worker on his land; if he is denied the right of a manufacturer to buy the raw materials of his industry on trade terms; if other people are to deal with his raw materials, his milk, cream, fruit, vegetables, live stock, grain, and other produce; and if these capitalist middle agencies are to manufacture the farmers' raw material into butter, bacon, or whatever else: are to do all the marketing and export, paying farmers what they please on the one hand, and charging the public as much as they can on the other hand. The existence of these middle agencies is responsible for a large proportion of the increased cost of living, which is the most acute domestic problem of modern industrial communities. They have too much power over the farmer, and are too expensive a luxury for the consumer. It would be very unbusinesslike for any country to contemplate the permanence in national life of a class whose personal interests are always leading them to fleece both producer and consumer alike. So the first fundamental idea for reformers to get into their minds is that farmers, through their own cooperative organizations, must control the entire business

connected with agriculture. There will not be so much objection to cooperative sale as to cooperative purchase by the farmers. But one is as necessary as the other. We must bear in mind, what is too often forgotten, that farmers are manufacturers, and as such are entitled to buy the raw materials for their industry at wholesale prices. Every other kind of manufacturer in the world gets trade terms when he buys. Those who buy—not to consume, but to manufacture and sell again—get their requirements at wholesale terms in every country in the world. If a publisher of books is approached by a bookseller he gives that bookseller trade terms, because he buys to sell again. If I, as a private individual, want one of those books I must pay the full retail price. Even the cobbler, the carpenter, the solitary artist, get trade terms. The farmer, who is as much a manufacturer as the shipbuilder, or the factory proprietor, is as much entitled to trade terms when he buys the raw materials for his industry. His seeds, fertilizers, ploughs, implements, cake, feeding-stuffs are the raw materials of his industry, which he uses to produce wheat, beef, mutton, pork, or whatever else; and, in my opinion, there should be no differentiation between the farmer when he buys and any other kind of manufacturer. Is it any wonder that agriculture decays in countries where the farmers are expected to buy at retail prices and sell at wholesale prices? We must not, to save any friction, sell the rights of farmers. The second proposition I lay down is that this necessary organization work among the farmers must be carried on by an organizing body which is entirely controlled by those interested in agriculture—farmers and their friends. To ask the State or a State Department to undertake this work is to ask a body influenced and often controlled by powerful capitalists, and middle agencies which it should be the aim of the organization to eliminate. The State can, without obstruction from any quarter, give farmers a technical education in the science of farming; but let it once interfere with business, and a horde of angry interests set to work to hamper and limit by every possible means; and compromises on matters of principle, where no compromise ought to be permitted, are almost inevitable.

A voluntary organizing body like the Irish Agricultural Organization Society, which was the first to attempt the cooperative organization of farmers in these islands, is the only kind of body which can pursue its work fearlessly, unhampered by alien interests. The moment such a body declares its aims, its declaration

automatically separates the sheep from the goats, and its enemies are outside and not inside. The organizing body should be the heart and centre of the farmers' movement, and if the heart has its allegiance divided, its work will be poor and ineffectual, and very soon the farmers will fall away from it to follow more single-hearted leaders. No trades union would admit representatives of capitalist employers on its committee, and no organization of farmers should allow alien or opposing interest on their councils to clog the machine or betray the cause. This is the best advice I can give reformers. It is the result of many years' experience in this work. An industry must have the same freedom of movement as an individual in possession of all his powers. An industry divided against itself can no more prosper than a household divided against itself. By the means I have indicated the farmers can become the masters of their own destinies, just as the urban workers can, I think, by steadfastly applying the same principles, emancipate themselves. It is a battle in which, as in all other battles, numbers and moral superiority united are irresistible; and in the Irish struggle to create a true democracy numbers and the power of moral ideas are with the insurgents.

THE COOPERATIVE COMMONWEALTH⁴

As will have been made abundantly manifest in this book, we stand frankly—while recognising the large and important part to be played in the Cooperative Commonwealth by the independent and autonomous associations of producers—for the supremacy, in the ownership, direction, and management of the industries and services by which the nation lives, of the community organised as consumers and citizens. And we do so, not merely because, in our judgment, the teaching of experience is that only by placing the ownership of the instruments of production, the decision as to what shall be produced, and the functions of direction and management in the hands of democracies of consumers and citizens can general efficiency be secured or the interests of the community safeguarded, but also because this form of social organisation appears to us to correspond, not merely with the economic exigencies of the present time, but also with certain fundamental features of a Cooperative Commonwealth.

⁴ Quoted, with permission, from *The Consumers' Cooperative Movement*, by Sidney and Beatrice Webb, Longmans, Green & Co., London, 1921, pages 478-487.

We all realise to-day that it is a profound mistake to regard the making of pecuniary profit, or even the amassing of wealth, as the object of life. It is merely another form of the same error, itself due to the perversions of the Capitalist System of the last two or three centuries, to make the processes of production of useful commodities and services the fundamental basis of our social organisation. Man does not live in order that he may work. He works merely in order that he may be able to live. The work that every healthy adult is called upon to perform in the production of useful commodities and services is not, and ought never to become—any more than the making of pecuniary profit or the amassing of wealth the principal object and purpose of his existence. This work is merely the price which (so that the burden may not fall more heavily upon his fellow-men) he is called upon to pay for the privilege of living. Equity demands that every healthy adult without exception should put into the common stock of commodities and services at least the equivalent of what he consumes, in order that the world may not be the poorer for his presence. . . . Personal beauty and personal charm; the joy of intellectual comradeship; the consolation of self-sacrificing friendship; the play of wit and humour; the highest reaches of art, science, and religion cannot be organised, controlled, or produced, either by democracies of producers or by democracies of consumers. They are the priceless gifts of individual genius, above and beyond any social organisation. They are part of the perpetual act of creation, not rendering services which can be paid for by livelihood, but adding new values to humanity's life.

Thus, in our view, in the Cooperative Commonwealth of the future, the production of all the needful commodities and services, far from affording the fundamental basis of social organisation, will assume a continuously decreasing importance in social life. Nor is this only a matter for the future. In the last analysis every civilised community, at every stage of its development, must be judged by the degree to which it does, in fact, enable its people, as an aggregate, by the lightness of the common burden and the amount of effective freedom for personal expansion, thus to lead the highest life. The final end to be served by social organisation can be nothing but the largest possible amount of the highest possible development of individual personality.

Let us now return to that part of life which is spent in paying the price—that is to say, man's work in the production of the

commodities and services needed in order that the community may live. Who is to decide what these commodities and services are to be? It seems to us clear that, in passing from the individual (and extremely scanty) production of the isolated savage, who worked only for his own consumption, to the associated (and greatly increased) production of social life, which is necessarily almost entirely for other people's consumption, the individual parts with his untrammelled freedom to decide what he will produce. The price that he is called upon to pay for the privilege of living in society—the work which, merely in order not to increase the burden of his fellow-men, he has to do for the community in the production of commodities and services—must be determined, not by what the producer chooses, but by what the consumers desire. It is accordingly for the community of consumers and citizens, not for any producer, or association of producers, to decide (though not to the exclusion of conference and discussion with the producers) what shall be produced, and where and when; in what kinds, what quantities, and what qualities; and also, seeing that process determines cost, by what process and at what price. Nor is this to take a low and what is often criticised as a materialist view of social organisation. There is no limitation to material goods. All the commodities and services that need to be produced for the maintenance of social life, the highest and most refined, as well as the grossest and most material, have, if only to secure universality in their enjoyment, to fall within the sphere of democracies of consumers. We are, in fact, habitually misled by our too narrow view of the social function of consumption. It is necessarily the consumer who, according to his tastes and desires, determines the demand and “sets the fashion,” and thereby decides the kinds and qualities of the commodities and services, high or low, material or spiritual, that shall be produced. “Consuming goods . . . is the creation of a type of life.” In the social organisation of the world, the act of consumption “is directive: it is constructive.” The function, in this sphere, of the community of consumers and citizens—and it is one of prime importance, not to be neglected with impunity—is to see to it that the environment of the individual (which must, in the main, be beyond his own control) is such as in no case to prevent the exercise of his personality or to interfere with his spiritual development, and, so far as may be found practicable, actually to promote it. This control of the environment involves a momentous choice by the community of consumers and

citizens, a choice which every advance in our command over the forces of nature will render more easy. And hence we may expect, in the distant future, whilst the supply of food, clothing, and other material things will represent a steadily diminishing proportion of the community's production, there will be a continuous increase in the proportion represented by such common services as education, music, and the theatre, and social intercourse between the peoples of different regions of the earth. The beauty of the landscape may even come to be deemed as important as the wheatfield; the purity of the atmosphere and uninterrupted sunshine as valuable as a multiplication of factories. More and more of the life of the "community will be organised, not mainly to produce goods, but to enjoy them," and with this object, necessarily organised, not by associations of those who produce the commodities and services for enjoyment, but by the associations of consumers and citizens who will enjoy them. And although each individual may be allowed, in paying the price, the utmost freedom of choice, according to his inclinations and capacities, within the range of all those industries and services that the community of consumers desires, it will be essential, in order that the common burden may not be unnecessarily heavy, that the community of consumers and citizens, which, largely for this reason, we would make a democracy of consumers and citizens, should see to it that the price is universally paid. It is in this necessary direction of human effort by and through the act of consumption itself, with this common obligation to pay the price—and not merely in its proved success in practise under existing circumstances—that we find the ultimate justification for vesting the ownership of the instruments of production (and thereby the power to decide what shall be done with them), together with the decision of policy and the function of management of the nation's industries and services—in all cases subject to consultation with the democracies of producers immediately affected thereby—in one or other form of democracies of consumers and citizens.

. . . Finally, in our vision of the future, it follows from what we have said, both of democracies of consumers and citizens, and of democracies of producers, that, not only every form of governmental coercion, but also even voluntary collective organisation itself, is very far from being co-extensive with social life. Indispensable as is this collective organisation in its various forms, its sphere has assignable limits. The essential condition of all coercive

government, local as well as central—the very object and intention of even the spontaneous and free associations of consumers or producers—must be so to define and delimit their own activities, that the individual may, beyond these limits, freely and more amply live his individual life. For democratic machinery is not an end in itself but only a means to an end. Exactly as we elaborate and enforce a rule of the road, not for the sake of extending the sphere of government, but expressly in order to secure to all the users, whether pedestrians or cyclists, horse-drivers or motorists, the most untrammelled freedom of transit from place to place, so we multiply, vary, and correlate democracies of consumers and democracies of producers with ever-increasing precision, not for the sake of elaborating social machinery, but expressly in order to lessen the toil and the friction, the danger and the disorder by which we are at present fettered; and thus to secure to each citizen the largest measure of liberty to live his own life according to his conscience, his talents, and his aspirations. It is in the fact that, in contrast with the dictatorship either of the capitalist or of any oligarchy, however selected, Democracy alone offers the prospect of securing, not merely to favoured persons or classes, but to every citizen, the maximum for the time being possible of this individual freedom of personal development, that we find the justification for the application of Democracy to productive industry as well as to political government. It is in that sense that we see, in the consumers' Cooperative Movement, an indispensable part of the structure of the Cooperative Commonwealth. (In *A Constitution for the Socialist Commonwealth of Great Britain* (1920), and especially in the chapter entitled "The Reorganisation of the Vocational World," we have sought to give in greater detail our view as to the basis and relationships of Trade Union organisation to that of the consumers and citizens.)

A MORE LIBERAL INTERPRETATION⁵

"The Cooperation of Charles Gide and the Socialism of Jean Jaurés coincide."—*Albert Thomas*.

There is no doubt that the Cooperative Republic constitutes a socialistic solution of the social problem. Its aim, the ideal which

⁵ Quoted, with permission, from *The Cooperative Republic*, by Ernest Poisson, General Secretary, Cooperative Union of France, The Cooperative Union, Ltd., Manchester, 1925, pages 87-109.

it seeks to realise by its continued development and which it is realising partially and by degrees, is identical with that of socialism. And when we say socialism, we wish the word to be taken in the exact sense which it has acquired during the past fifty years, of the political doctrine of radical social change which has been accepted and is held by hundreds of thousands of people, especially working people, in France and the world over. We are not merely asserting that cooperation is socialistic because it rests on an economic theory of collective action and is opposed to individualism. If in the beginning the word socialism was used in this very general sense, it is employed to-day to denote a more definite theory. Neither are we asserting that cooperation is socialistic because it promotes a morality founded on brotherhood, and so giving the word socialism the denotation of a vague sentiment of human fraternity. This meaning it lost a long time ago. The sentiment is so easy to profess that the term might be really anybody's property.

If cooperation is socialistic, the Cooperative Republic and the Social Republic are similar. The economic systems which both aim at realising are identical in their main outlines. Of course, this does not mean that one must be a socialist in order to be a cooperator. Many people who join the cooperative movement are led by other motives—cheapness, fair prices, or the elimination of the middleman. The opinions of those who compose the cooperative movement are of little consequence. Their state of mind has nothing to do with the question whether a cooperative society is naturally and essentially a socialistic organisation.

Let us first consider how the doctrines of political socialism are defined. If you take the membership card of a member of the French Socialist Party, you will read thereon the following statement of principles, taken from the declarations of international congresses: "International agreement and action by the workers. Organisation of wage-earners as a class party for the conquest of power and the socialisation of the means of production and exchange, that is, the transformation of capitalistic society into collectivistic or communistic society." Let us put aside for a moment the first three principles, internationalism, the organisation of the working class, the conquest of political power, for these are means to an end and we shall return to them. Let us note that the object of socialism is the socialisation of the means of production and exchange.

Now, what is the aim of the Cooperative Republic? Here is the statement of principles of the National Federation of Consumers' Cooperative Societies, founded on that pact of unity which was the basis upon which all the cooperative forces in France came together. It sets forth the character of cooperation both in this country and abroad more completely than has ever been done anywhere else. "Cooperation aims at the substitution for the present competitive and capitalistic system of a system under which production shall be organised for the benefit of the whole body of consumers and not for profit, and the gradual attainment of collective ownership of the means of production and exchange by associated consumers who will retain henceforward for themselves the wealth they create." Setting aside the question of means, is not this the same ultimate purpose? The complete Cooperative Republic, like the Social Republic, would achieve collective ownership of the means of production and exchange. Cooperative organisation and socialisation are thus two allied if not synonymous terms.

This explains why a number of cooperators refuse to speak of what is called socialist cooperation. They argue that that epithet adds absolutely nothing to the idea of cooperation. It is a redundancy which in their opinion damages it morally. Cooperation has no need to call itself socialistic in order to be so. They argue further that the word socialism is generally understood in a purely political sense and that it does not adequately represent the idea, common to both socialism and cooperation, of an economic transformation of society achieved by the collective ownership of the means of production and exchange. If socialism were given a purely economic meaning, cooperation and socialism would be synonymous and it would be a matter of indifference which term was used. The ends, the ideals, are the same. But there exist between cooperation and socialism a difference of method and a difference of view on the means by which they are to be attained. We are now concerned in showing clearly the significance of each view.

. . . *Positive Differences between Political Socialism and Economic Cooperation.*—The actual differences can be reduced to two in number. First, the cooperative economic system claims to abolish capitalism and to substitute for it a new society, the Cooperative Republic, which grows within the framework of existing society. Political socialism on the other hand proposes to adopt the economic organisation created by capitalism in its most highly developed forms and simply to seize it and change its ownership.

Economic cooperation depends upon the voluntary action of consumers and establishes itself inside the capitalistic system. It is a work of private initiative. Political socialism is to be established by means of the power to compel and implies public action. Secondly, economic cooperation is constructive whereas political socialism is destructive.

Some comments on and explanations of these two points are necessary, especially with regard to elimination by means of competition as compared with social transformation through legislation. The Cooperative Republic starts with society as it is. It establishes itself in the very heart of capitalism and engages in competition with capitalistic trade. It creates gradually but completely a new society, beginning by displacing private retail trade and then wholesale trade. Next it abolishes industrial capitalism, then financial capitalism and finally agricultural capitalism. It is continuously doing so and will ultimately produce a complete revolution in society. The Social Republic intends to make use of the economic mechanism built up by capitalism. It declares that all that is necessary is to make the instruments of production and exchange, at present utilised by collective labour for the profit of individuals, the property of the community. It asserts that it is altogether superfluous to set up a new economic system when one already exists and that all that is needed is to make it work for the benefit of society as a whole. Much less time is required. Moreover, will not the realisation of the Cooperative Republic be rendered impossible by the obstacles that will be raised by the protagonists of existing society?

To that the advocates of the Cooperative Republic can reply:

Firstly, that social revolutions and economic reorganisations of society, even where such have been followed, preceded or accompanied by political revolutions which have altered the legal basis of society, have been durable only if the structure of the new society, its methods of production, exchange, and consumption, its peculiar economic institutions, have previously attained a considerable degree of development and are coherent and widely diffused;

Secondly, the evolution of the capitalistic system is not proceeding as rapidly as may be wished towards the creation on a large scale and in the immediate future of the proper institutions for the new society. It is better to begin a partial transformation at once

than to wait and procrastinate until total transformation becomes feasible;

Thirdly, social revolution by the seizure of power, even if it were possible, could be only partial, for the immediate adaptation of the existing economic mechanism to the needs of truly social life would not be practicable. That is the reason, of course, why political socialism can look forward only distantly to the complete realisation of its ideal, as for example, in agriculture or even in regard to small traders and independent artisans. Meanwhile the cooperative movement, by means of integration and by building up each day a part of the new society, advances step by step and without pause towards its goal, a complete transformation of society. The palpable progress of the movement in spite of all the obstacles it meets and the opposition of capitalism is the best proof that the future belongs to it;

Fourthly, it is not true, as some people would like to assert, that the economic machinery of present-day society will be suitable for the new social organisation. In truth a new society is not to be made by transforming the legal system. The force which belongs to political action can create nothing. It can only destroy. Hence the difference between economic cooperation, which is constructing the society of to-morrow, and political socialism, which aims at destruction of the society of to-day. . . .

THE COOPERATIVE REPUBLIC IS SELF-SUFFICIENT BUT NOT ALL-SUFFICIENT

Clearly the Cooperative Republic considered in the light of its scheme of development, even though we have not yet examined its limitations, can claim to be able to effect on its own behalf a social transformation. For its economics at least, it has no need of any external power. On its own ground it is self-sufficient. But can the simultaneous endeavour to establish the Social Republic and the Cooperative Republic be in any way contradictory? The one does not conflict with the other. The attempt on the part of one class, the proletariat, to conquer the State cannot be hindered or retarded by the existence of consumers' cooperative societies which are building up the organisation of the Cooperative Republic. Of course, the latter works in the field of economics, the former in that of politics. They are not on the same plane. At the very most it can be argued that political socialism, by entering the economic field and organising consumption for the purpose of organising

the working class, would produce class cooperation. This, in fact, has happened in the past. Certain cooperative societies which wished to remain working class, and which claimed to be composed exclusively of socialists or of members of one political party, have been wound up. So far as these are concerned, cooperation had no purpose of its own. It had no value, in the minds of those who promoted it, as a means to a social transformation. It was denied its true socialistic character and its part as a constituent of a new social order on a socialistic basis embracing all consumers. Nevertheless, in these cases, in spite of the belief of those socialists who treated cooperation not as having a purpose of its own but as a means of building up the strength of the working class for its conquest of the State, the cooperative society, closed and narrowly restricted though it may be forms a part, if only a feeble part, of the society of the future.

It is true on the other hand that cooperation, when its ultimate aims are not understood, may be viewed by "pure" cooperators as a means of diminishing the cost of living and of regulating prices, devoid of any revolutionary purpose. At times the ruling classes may attempt to employ its economic power in order to buttress their supremacy and their exploitation, as for instance with that caricature of a cooperative society known as an *economat*. At other times particular political parties or social influences, conservative and otherwise, have thought to use cooperation as a means of raising money or simply as an instrument of publicity and propaganda. But in spite of their diversion of cooperation from its natural course it is none the less true that just as M. Jourdain wrote prose without being aware of it, these cooperators are helping to build the Cooperative Republic, that is to say, that very Social Republic which elsewhere they refuse to recognise and heartily repudiate. The creative power of the work transcends the will of those who take part in it.

The two modes of action may be carried on without regard to one another, they may even conflict in the minds of those who support both, but they are not mutually contradictory. Carried on in ignorance of one another they yet converge upon the same objective. People may try to divert them from their work of mutual helpfulness to the advantage of one and the detriment of the other, but they will not succeed in depriving either of its proper character but only of some of its importance. Those setting up the Cooperative Republic to-day and those working for a Social Re-

public which can only be established to-morrow, will hinder one another the less just in so far as they can respect one another's independence.

(a) *Cooperation from the Point of View of Political Socialism.*—This is not to say that political socialism and economic cooperation, working in their own spheres, cannot help one another by a parallel policy. From the political point of view there is no doubt about it. At one time certain socialists of a kind that becomes rarer and rarer, held a different opinion. In their view cooperation was intrinsically worthless. It has even been declared in some socialist congresses that because of the notorious iron law of wages, if cooperation did reduce the cost of living to working people the capitalist would profit by it by lowering the rate of wages. Even so, it may be argued that cooperation had an effect which, though of little value, was not disastrous. Nevertheless it remains true that at that time the cooperative movement was adopted as an institution to be recommended to working people for other reasons, and its proper socialistic value was not recognised.

On the other hand the leaders of the Socialist Party have come by degrees and in various ways to accept cooperation, even to the extent of admitting its value as a force transforming society. At first some reasoned that since it was necessary to organise the proletariat in all possible ways in order to prepare for the seizure of the State, cooperation would be a means of propaganda and of securing recruits for working-class parties. Later, it occurred to others that even when it wielded political power, the proletariat, in order to carry out a resolution, would need men skilled in business and versed in affairs, and cooperation appeared to them as likely to supply bodies of men who would organise the new social order on behalf of the working class. Moreover, other socialists perceived that cooperation developed responsibility and accustomed the masses of the wage-earners to collective management in a democratic manner, while at the same time it counteracted the law of wages and raised their standard of living. In their view the uplifting of the material and moral condition of the working class was a condition and an agency of a social revolution. Other socialists again saw in cooperation the new social order in miniature and in an embryonic form, and without accepting the Cooperative Republic as possible in its entirety, considered the movement to be a kind of laboratory in which all the problems of the new social system might be studied, and in which true and practicable solu-

tions might also be worked out. From that it is only a step to accepting cooperation as a means to a social revolution. Within the last twenty years the step has actually been taken. The Congress of 1910 of the French Socialist Party, together with the International Congress of Working Men at Copenhagen in the same year, have clearly recognised the value of cooperation as an agency of social transformation, but naturally without assigning to it a principal part in the establishment of the new order. The seizure of political power remained the essential thing.

(b) *Cooperation and the Seizure of Power by Socialists.*—Nor is it from the point of view of economic cooperation a matter of indifference that the powers of the State should be wielded by a government favourable to cooperation. Though the Cooperative Republic grows by its own power it can be considerably helped by the existence of a government which will give it complete liberty of action and will defend it and combat its enemies. The conquest of power by the working class, whose interests are most nearly allied to those of the consumer, cannot but be for a cooperative movement the occasion of great developments. If the seizure of power does not of itself establish a new world, the Cooperative Republic can very well appear to a Socialist Government as the proper economic instrument for the most rapid realisation of the socialist ideal. In short, cooperation as a social conception is a socialistic conception different from the political conception of socialism, but not opposed to it. Both rest upon the fundamental idea of collective action and organisation.

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Part VI

THE INTERNATIONAL COOPERATIVE MOVEMENT

CHAPTER XII

ASPECTS OF INTERNATIONAL COOPERATION

THE FUTURE ORIENTATION OF THE I.C.A.¹

The GENERAL SECRETARY: We have been looking forward for a long time, for many months, to this Congress in London, not merely to mark another milestone in the progress of our International Cooperative Alliance but in order that we might come face to face with some of the real difficulties which beset the Cooperative Movement in every land at the present hour, and have done so for many months and, indeed, a few years past.

. . . We have called this section of the Report the "Future Orientation of the Alliance." We have placed it at the end of the Report because the previous survey, if it is studied carefully and understood, reveals how the conflicting and diverse tides and winds of the past five years have affected our Movement. You may say that the International Cooperative Alliance is not everything, that in the last resort you can do without it, and we are not without indication that the thoughts of some tend in that direction; but at least we can say that until now, and at the present hour, it is the only Organisation, the only organic link, that holds together the Cooperative Movements of the world, however slight may be their attachment and however easily they may be broken. The real question before you to-day, in my opinion, is, do you wish that Organisation to go on, to be strengthened and built up as the basis—it is a trite phrase, but it is a true one, after all, in essence—of a new Commonwealth, as the groundwork of a higher civilisation than the world knows to-day, or do you wish to let it disappear into that miasma of nationalism, political and economic, which has seized the world like a midsummer madness, and threatens to destroy all that is best not only in democracy but even in civilisation itself?

¹ Quoted, with permission, from *Report of the Proceedings of the 14th Congress of the International Cooperative Alliance*, London, September, 1934, pages 120-125 and 250-252.

That is the problem that is before this Congress, and I ask you, before you turn another page of this Agenda, to pause, consider where we are going, consider where we should go and how we should go, and decide whether you want the manhood and the womanhood of Cooperation built up in all its strength and beauty as you have conceived it and contemplated it for generations past, or whether you wish it to be dispersed amongst the crowd of the ravens and the vultures of the world to-day, left to its own resources, to find its way out on the basis of every man for himself and the devil take the hindmost.

In these pages we have tried to indicate some of the main features of the changing, social order in which we are placed. We have pointed out that those changes in the social order are broadly speaking of two characters: political and economic. The economic changes that are taking place to-day are the result not merely of war conditions—they go back farther than that—but of a tendency in the world towards not merely mass production, mass control and mass organisation, but leading to the control of economic affairs by the municipality and by the state—Those changes were evident long before the war in their beginnings; they have developed very rapidly during the last ten years, but the changes, so far as they are taking place in the existing economic order, are always on the basis of individualism and not of cooperation, and tend to entrench and to reinforce capitalism, perhaps here and there on a little broader basis, perhaps here and there with a touch of relief to this or that section of the community, but essentially and fundamentally they remain the same thing. They do not, in this generation, lead us very much nearer to any sort either of democratic or community ideas such as those which lie at the basis of our Cooperative Movement. It may be said that eventually they will do so. To that I would reply that there are cooperative representatives here to-day who are also socialists of an advanced political order, who say that the Cooperative Movement is too slow in its progress towards the ideal and towards the realisation of a cooperative republic, but if that is true then these modifications in the capitalist system to-day that go by the name of the corporate state, of fascism, of Hitlerism in any of its forms, are ten times, nay a hundred times, slower; and because of the little amelioration that they offer to-day make progress impossible not only for themselves, but also for Voluntary Cooperation and the system for which this Movement stands.

. . . So this morning I beg you, before you pass on to any other

considerations, to give some thought to the problem before us. The political problem is of another order altogether. More than once, during this Congress, expression has been given to the opinion which I have persistently put forward in the pages of our "Review," and in other communications to the members of the Alliance, that these political changes are temporary and transient, and though to-day we have to regret the loss of the German Cooperative Movement from our midst, we have the hope that on an early to-morrow or in a not distant future they will come back into our ranks. There are other cases that I need not mention individually that are known to you, in which we are holding on to the links that remain. Some have been broken or lacerated, and we are doing our utmost to retain them in the confidence that the changing political order will enable us to restore them to their full status. In the examination of these pages, and the consideration of those conflicts and difficulties which are around us, we have to bear in mind the necessity of keeping our eyes fixed upon the economic goal and the social aims of our International Cooperative Movement. It is our ambition that the Cooperative Movements of the whole world should be included in our International Organisation, and if we are true to our ideals and our principles it must necessarily be our ambition that all the consumers, and, eventually, all the producers, shall have free entry and free opportunity within our Societies, and that can only be realised by strict adherence to the economic purposes of cooperation.

I ask you, then, as is contemplated in the last paragraph of the Report, "Should we not seek to formulate our policy on such lines as would at once preserve intact the economic and constitutional basis of Cooperation, as set out in the Principles of Rochdale, and define its relation to the changing world conditions with the object of maintaining the integral organisation of our International Cooperative Alliance?"

It is for this purpose that this Report has been prepared, nay, this Congress has been organised, and I beg you not to neglect this great task, which is our highest responsibility.

Mr. Dov Hos (Palestine): We must be very thankful to Mr. May, our General Secretary, for having emphasised the importance of the discussion on the subject of the future orientation of the I.C.A. Recent years have proved beyond any doubt to those of us who did not realise the important position that the International Cooperative Movement may take in the development of world

affairs, that the International Cooperative Movement, if strongly organised, may form a force which will be able to intervene and decide on a good many occasions the future development of the world. I want to limit myself first of all to the following suggestion. I believe that the Cooperative Movement can succeed, and will succeed, only if we all realise the absolutely vital necessity of the close and permanent contact between the Cooperative Movement, the Trade Union Movement and the Socialist Movement. We consider the Cooperative Movement as the economic instrument of the working classes, which should work side by side with the political instrument of the workers and side by side with the industrial instrument of the trade unions. Only then can the Cooperative Movement and each of the other movements achieve a goal which is common to them all. Therefore we say this close contact of these three elements is a vital necessity.

I will not speak on matters on which there will be certainly no difference of opinion, questions of international peace and so on, but may I say one thing which is peculiar to my country. We are at the gates of the East; we have succeeded in establishing in Palestine a strongly-developed Cooperative Movement, and I think that it is the duty of the International Cooperative Movement to pay more attention to the development of Cooperative Institutions in that part of the world, where there are millions and millions of people who have not the slightest idea what Cooperation stands for, and where we, the Cooperative Institutions of Palestine, may have to perform a great deal, I would not say of missionary but, of pioneer work in order to be able to establish Cooperative Organisations which will be of enormous importance in the development of the Cooperative Movement throughout the world.

Mr. E. Poisson (France): On the question of the future orientation of the International Cooperative Alliance in the midst of the difficulties through which the world is passing, Mr. May is astonished that no opinions, even different opinions, have been expressed. My reply, fundamentally, will be that of the Central Committee, which has received suggestions from practically all sides, but which, like the Executive, has confined itself to an enunciation of principles. The Report has the great merit of asking questions: it does not answer them because it cannot.

What is, therefore, the principal question for the future? It is this. At the present time there are in the world economic systems which are becoming, more and more, not only directed towards,

but closely connected with, political systems, sometimes different, but all animated with the same economic idea.

Whether you go—and our Russian friends will excuse what I am going to say—from Soviet Russia to Roosevelt in the United States, from Italian fascism to Hitlerism (which is only fascism under another name), or to intermediate systems which are to be found in Europe, in Poland and elsewhere, everywhere the important problem presents itself: new economic systems are being constituted within which liberalism disappears, either totally or partially; to what extent, in those countries, can free and voluntary Cooperative Organisations exist? How can these Organisations, continuing to function in the midst of State-governed systems, be maintained within the Alliance in conformity with the Rochdale Principles while, for good or ill, in obedience to the laws of their country, they must adapt themselves to the new economic system of the State?

That is the problem. You cannot solve it to-day. Therefore, be wise; wait for the solution to be found. The problem concerns the German and Italian Cooperative Organisations, as well as the Russian Cooperative Organisations. It is the problem which would arise to-morrow should you take up too strict a position with regard to the associations which do not enjoy complete internal liberty. It follows, therefore, that it is wise for the International Cooperative Alliance to wait upon events, to examine them, and not to be rebellious towards certain changes. It is not enough to say that, to the extent that a political régime establishes itself in a country, the Cooperative Societies will function everywhere under a different form, under a veiled form: they will none the less be Cooperative Societies.

In these circumstances are you going to reduce the Alliance to a group of pure crystals and leave outside the Cooperative Movements which, as in Russia and Italy, have adapted themselves to the new régime? That is the problem, and, I repeat, you cannot solve it to-day. Another problem arises at the same time. Does the International Cooperative Alliance wish to be nothing more than a mere academic institution, meeting from time to time in Congress, interesting from the point of view of the friendships which are then made, but which merely provides a platform for men from every country to manifest their fraternity? Shall it not, on the contrary, be an active institution with principles and traditions?

If it is an academic institution it can include everyone; if it is an

organisation for action it may damage itself in preserving, what is very precious, its unity. A choice must, therefore, be made between the two policies. It is difficult to make of the Alliance a simple academy. For ourselves, French cooperators, in conformity with our traditions and with the thought of those who have led us, from Gide to Thomas, we remain faithful to an International Cooperative Alliance which, with perhaps some adaptations, can be a magnificent instrument of action. That does not mean that we must abjure the essential principle of what the representative of Palestine called "neutrality," and which he condemned rather casually. We French cooperators never speak of "neutrality" without misleading ourselves as to its meaning. The essence of French Cooperation is not neutrality, which is impossible, but independence with regard to all political parties, all religious beliefs, all social classes—independence, which alone, outside of parties and philosophical or religious beliefs, can enable the International Cooperative Alliance to live.

Every nation, every Cooperative Movement, has its *raison d'être* both historic and traditional; it is the economic circle of France, of Belgium, of Great Britain, and of Switzerland, which has created the traditions of these countries, which has made each Cooperative Movement a separate type, and the Alliance is the great family which unites all these various types with parental oversight. You cannot mould them all to one pattern. The very diversity of the Cooperative Movements is the *raison d'être* of the International Cooperative Alliance, which can only exist upon the independence of all the National Movements, and if it preserves its own independence with regard to all other ideas, political or philosophical.

RESOLUTIONS OF THE 1934 CONGRESS

. . . The PRESIDENT: I will now put the resolution as amended to the vote.

The text of the resolution is as follows:—

"The International Cooperative Alliance, which is an association of National Cooperative Organisations mutually independent and autonomous in their relation to the Alliance, seek to assist the member Organisations, each in its own country, in their endeavours to raise the national standard of living and to promote the sound development of national economic life.

In pursuit of these aims, the Congress declares:—

1. That the Cooperative Movement, nationally organised, should continue its successful work for the promotion of the interests of the affiliated members by effectively organising the productions of its members and the marketing of their products, or supplying their needs as consumers either of household goods or necessities needed in their occupations, these activities to be carried on in true adherence to the Rochdale Principles, successfully established during the past century.
2. That the Cooperative Movement in every country should serve as a protection to producer and consumer against the exploitation of those capitalist combines which carry on a ruthless policy of high prices for goods necessary to their existence either as consumers or producers, a policy which, by extending the margin between the retail price and the price of the raw materials, reduces consumption and affects employment in a way detrimental to the interests of national economic life.
3. That the measures taken by Consumers' Organisations in different countries to assist farmers and other small producers in their depressed conditions of life should be continued in a manner well adapted to the purpose, in the first place by the creation and maintenance of the closest possible relations between Cooperative Organisations of Producers and Consumers.
4. That the National Cooperative Wholesale Societies should energetically continue their exertions to build up a powerful international economic organisation (I.C.W.S.), which will thus be able to assist the activities of the member-organisations to an ever increasing extent and contribute to an increase in the interchange of goods between the countries of the world.
5. That the International Cooperative Alliance, which has been in uninterrupted activity since 1895 with a view to bring Cooperators all over the world into closer contact with each other, is, in fact, well adapted to render effective assistance to the National Cooperative Organisations in their endeavours by establishing or further developing a regular interchange of experience and ideas in matters relating to legislation, organisation, administration, technical and scientific progress, education, press and propa-

ganda. Also, by carefully following the international advance of such developments in private economic life as are of special importance to the Cooperative Organisations and their members (e.g., cartels, trusts, large scale retailing organisations), the I.C.A. is designed to make an important contribution towards the development of National and, consequently, also International Cooperation.

The Congress, therefore, calls upon the constituent National Movements to have recourse to the forces and resources of the International Cooperative Alliance in the highest possible degree and to contribute by all means in their power to increase the capacity of the Alliance to assist the constituent Organisations in their work of realising the economic ideas inherent in Cooperation."

On a show of hands the resolution was Carried by a large majority, the Russian delegation abstaining.

INTERNATIONAL COOPERATIVE AGENCIES²

INTERNATIONAL COOPERATIVE ALLIANCE

14, Great Smith Street, Westminster. London, S.W.1. General Secretary: H. J. MAY, O.B.E. Established 1895. Foreign Telegraphic Address: Interallia, London.

The International Cooperative Alliance is the body which unites the principal cooperative organisations of the world, on the basis of the principles of the Rochdale Pioneers. It at present includes 143 federations, with 100,000,000 members in 40 countries. It holds a Congress every three years except in exceptional circumstances. The last was held in 1937 in Paris, and the next [was to have been] held in 1940 in Prague.

MEMBERSHIP IN DETAIL

NATIONAL UNIONS OR FEDERATIONS—		Banks.....	23
Consumers (a) Retail.....	37	Assurance.....	19
(b) Wholesale.....	40	Publishing.....	1
Productive.....	5	Propaganda.....	1
Credit.....	3	Women's Guild.....	1
Auditing.....	2	Regional Unions.....	2
Agricultural.....	9	Local Consumers' Societies.....	506

The Executive Committee now consists of the following members:—

² Quoted, with permission, from the *Peoples Year Book*, 1938, published by the Cooperative Wholesale Societies of England and Scotland, Manchester and Glasgow, pages 269-273.

President: Mr. VAINO TANNER (Finland).

Vice-Presidents: Mr. R. A. PALMER (Great Britain), Mr. ERNEST POISSON (France), the General Secretary, Mr. H. J. MAY, O.B.E., and Messrs. E. LUSTIG (Czechoslovakia), A. JOHANSSON (Sweden), SIR FRED HAYWARD and Mr. W. BRADSHAW (Great Britain), Dr. B. JAEGGI (Switzerland), Mr. RAPACKI (Poland), K. DE BOER (Holland), and A. P. KUKHTIN (U.S.S.R.).

INTERNATIONAL COOPERATIVE ASSURANCE COMMITTEE

Secretary: J. LEMAIRE, 31, Square d' Aviation, Brussels.

This committee, which is an auxiliary of the I.C.A., pursues an extremely useful work of study and documentation on problems of assurance of special interest to its affiliated organisations, which include the Cooperative Assurance Societies of 15 countries.

INTERNATIONAL COMMITTEE FOR INTER-COOPERATIVE RELATIONS

c/o International Labour Office, Geneva.

Members: The International Cooperative Alliance and the International Commission of Agriculture (with I.C.W.S. representative).

INTERNATIONAL COOPERATIVE WHOLESALE SOCIETY LTD.

1, Balloon Street, Manchester, 4.

Established 1924. Telegraphic Address: Wholesale, Manchester.

President: Mr. A. J. CLEUET (French C.W.S.).

Secretary: Mr. R. F. LANCASTER (English C.W.S.).

Members.—The principal Wholesale Societies of the following countries: Austria, Belgium, Bulgaria, Czechoslovakia, Denmark, Estonia, England, Finland, France, Holland, Hungary, Latvia, Lithuania, Norway, Palestine, Poland, Russia, Scotland, Sweden, Switzerland, U.S.A.

The I.C.W.S. is a federation of Wholesale Societies to promote and foster international cooperative trading. Its work has suffered in recent years owing to the difficulties placed in the way of international trade by economic nationalism, particularly in the form of import quotas, which make direct trading between different national cooperative organisations exceedingly difficult. Much progress has been made in the joint purchase of dried fruit through the agencies of the English C.W.S. in New York and the Near East.

In 1936, the amount of fruit purchased in this way from America showed a substantial increase over that for the previous year. The Society sponsored in 1937 the International Cooperative Agency (see below).

The I.C.W.S. is also represented in the International Committee for Inter-cooperative Relations, and arrangements exist for information to be exchanged with a view to developing an interchange of goods between consumers' and producers' organisations and the agricultural organisations.

The Society issues to its members the monthly *International C.W.S. Commercial Letter*.

STATISTICS OF MEMBERS, 1936

Countries	Imports	Exports
	£	£
England.....	36,153,125	188,775
Scotland.....	4,649,485	38,852
Sweden.....	1,360,454	27,062
Finland.....	1,157,588	44,586
Switzerland.....	813,325	26,399
Czechoslovakia.....	668,432	23,196
France.....	549,474	11,711
Estonia.....	353,714	81,279
Austria.....	275,086	—
Norway.....	213,229	19,310
Bulgaria.....	137,667	12,688
Holland.....	94,781	21,375
Poland.....	71,797	39,120
Belgium.....	55,458	—
U.S.S.R.....	Not available	Not available
	£46,553,615	£534,353

N.B.—Of the imports £15,373,602 represents goods purchased from other cooperative organisations.

INTERNATIONAL COOPERATIVE AGENCY LTD.

Manager: W. DYKSTRA. London office: Port of London Authority Building, Savage Gardens, London, E.C.3.

Established in 1937 under the auspices of the I.C.W.S. to act as a central purchasing agency for cooperative Wholesale Societies. By grouping the purchases of such organisations, the agency seeks to obtain better terms, ensure supplies, and to substitute cooperative for non-cooperative channels of supply. The Society is registered under British cooperative enactments.

INTERNATIONAL COOPERATIVE AGRICULTURAL PURCHASING
SOCIETY

Internationale Cooperatieve Landbouwaankoopvereniging G.A. "Intercoop." Rotterdam, Haringvliet 100, Holland.

The membership of this Society, whose object is the joint purchase by agricultural cooperative institutions of agricultural necessities, consists of four societies: "The Cooperatieve Aankoopvereniging, "Centraal Bureau uit het Nederlandsche Landbouw Comité" G.A. at Rotterdam, the Cooperatieve Handelsvereniging van den Nord. at Veghel (Holland), "Kooperativa" Einkaufsverband der landwirtschaftliche Genossenschaften e. G.m.b.H. at Prague (Czechoslovakia), and the Svenska Landtmännens Riksförbund F. u.b.p.a. at Stockholm. Its activities are somewhat limited at the present time owing to tariff restrictions, &c.

OVERSEAS FARMERS' COOPERATIVE FEDERATION LTD., FOR
AUSTRALIA, SOUTH AFRICA, AND NEW ZEALAND

4, Fenchurch Avenue, London, E.C.3. Manager: ARTHUR E. GOUGH.
Cable: Austnewlon, London. Telegrams: Agricoop. Ave.

The Overseas Farmers' Cooperative Federation, Ltd., is a federation of farmers' cooperative marketing organisations in Australia, New Zealand, and South Africa. A proportion of the produce which it markets is sold through the C.W.S. A subsidiary, Empire Dairies, Ltd., embraces the selling of dairy produce. Both organisations sell extensively on the Continent as well as in Great Britain. Since 1921, when it was formed, Overseas Farmers' Cooperative Federations has transacted a total trade of £97,028,638 (July, 1937).

NORDISK ANDELSFÖRBUND

15, Njalsgade, Copenhagen. (Scandinavian Cooperative Wholesale Society: Joint Wholesale Society of the Danish, Norwegian, Swedish, and both Finnish Wholesales). Manager: Frederik Nielsen. Established 1918. London Office: Port of London Authority Building, Savage Gardens, London, E.C.3.

This, the Scandinavian C.W.S., operates as the joint cooperative purchasing society for the Cooperative Wholesales of Denmark, Norway, Sweden, and, since 1930, Finland.

Statistics	1934	1935	1936
Sales.....	Kronor 41,328,744	Kronor 45,231,452	Kronor 50,807,317
Net Surplus.....	319,074	348,909	335,339

The Capital of the Society amounts to 1,225,000 Kronor, made up as follows: S.O.K. (Finnish Neutral Wholesale), 250,000; O.T.K. (Finnish Progressive Wholesale), 200,000; N.K.L. (Norwegian Wholesale), 75,000; K.F. (Swedish Wholesale), 350,000; F.D.B. (Danish Wholesale), 350,000 Kronor.

KOOPERATIVA LUMAFÖRBUNDET

Stockholm 1. (North-European Cooperative Society for the manufacture of Electric Bulbs: Joint Society of the Swedish, Danish, Norwegian, and Finnish Wholesales.) Established 1931. Directors: Anders Hedberg and H. Schlott.

The Cooperative Luma Society is a federation for the cooperative manufacture of electric bulbs. It possesses 90 per cent of the share capital of Aktiebolaget Hammarbylampan, which produces and sells the lamps, and rents the Luma Factory from Glödlampsaktiebolaget Kullen, whose share capital is held by the Swedish Wholesale Society. A cooperative lamp factory has also been set up in Norway, producing lamps under the direction of the Luma Society.

The Luma factory produces about four million electric bulbs per annum and is the only non-cartel lamp factory which produces all kinds of incandescent lamps. The lamps are sold chiefly to constituent North-European Cooperative Wholesale Societies; however, an extensive export business to other countries all over the world is also being developed. Luma possesses the largest scientific lamp laboratories in the world (outside the lamp cartels), and is devoting much attention to following the development of the international patent situation. Through the various activities of Luma the international cartel has lost its grip of the electric lamp trade in Northern Europe. A cooperative lamp factory is being established in Scotland by the British Luma Society, formed by the Scottish and the Swedish Cooperative Wholesale Societies. This British lamp factory is to be managed in collaboration with the other Luma factories.

INTERNATIONAL COOPERATIVE WOMEN'S GUILD

President: Frau EMMY FREUNDLICH, Wien XII, Schönbrunnerstrasse 254, Austria. Secretary: Mrs. THEO NAFTEL, 17, Prescott Street, London, E.1.

The International Cooperative Women's Guild was founded in 1921 in order to link together the existing national Guilds and promote the organisation of cooperative women throughout the world. It aims at furthering the principles and practise of Cooperation, raising the standard of home life, protecting women's interests, and working for Peace. Its affiliated members are the fifteen national Guilds in the following countries: Austria, Belgium, Bulgaria, Czechoslovakia (two Guilds, attached to the Czech and German Movements), England, France, Ireland, Norway, Poland (two Guilds, Polish and Polish-Ukrainian), Scotland, Sweden, Switzerland, and the U.S.S.R. Its contacts extend to over twenty other countries and within the past twelve months national Guilds have been formed in Australia, Japan, New Zealand, and Roumania. The two latter have already applied for affiliation.

The International Conference

The fifth International Cooperative Women's Conference took place in Paris, on September 2nd and 3rd, 1937, and was attended by 492 delegates and visitors from twenty countries. Unanimous approval was given to the scheme to form provisionally a new section of the Guild, membership of which would be open to those women's cooperative groups not yet eligible for full affiliation. This will provide for systematic relations which should greatly strengthen the women's cooperative movement and extend the sphere of influence of the International.

The high level of the discussions at the Conference showed that the two main subjects on the agenda, "Youth and Cooperation" and "The Position of Women in the Cooperative Movement," had aroused universal interest. Delegates pledged themselves to do all in their power to strengthen the ties between the Cooperative Movement and young people, and undertook to work for the inclusion of Cooperation in the school curriculums of all countries.

The Peace Programme

The keynote of the discussion on the second subject was that self-government for women's organisations and more opportuni-

ties for women to take part in cooperative administration was not only a just and democratic policy but would further the advance of the Movement as a whole. Enthusiastic support was given to the resolution on Peace calling on all free peoples to leave no doubt as to their determination to achieve peace by abolishing international justice and setting up a regime of international cooperation in world affairs that will supersede the rule of force. The Programme for Peace adopted by the International Guild Committee was circulated to all the delegates. Its main points deal with the rights of colonial and mandated peoples, international control of immigration and settlement, free circulation of persons, money, and goods, the setting up of a new International Court of Justice and an International Office for Economic Affairs and provisions for the limitation and ultimate abolition of armaments. A short resolution on the Spanish situation expressed deep sympathy with the Spanish cooperators and the hope that right and justice might triumph in Spain.

The common subject selected for educational and propaganda work in the national Guilds during the coming year is "The Struggle against the Trusts."

The former Acting Secretary, Mrs. Naftel, was elected Secretary of the International Guild.

THE INTERNATIONAL COOPERATIVE PRESS

Review of International Cooperation.—The official monthly organ, appearing in three languages, of the International Cooperative Alliance, 14, Great Smith Street, Westminster, London, S.W.1. Editor: HENRY J. MAY.

I.C.A. News Services.—Covering Cooperation, Commerce, and Economics. Issued by the International Cooperative Alliance, 14, Great Smith Street, London, S.W.1.

Cooperative Information.—Sent out by the International Labour Office, Geneva, in English, French, and German, at irregular intervals. Editor: MAURICE COLOMBAIN.

SOURCES FOR THE INTERNATIONAL COOPERATIVE MOVEMENT

Fourteenth Congress, International Cooperative Alliance, London, 1934, the *Proceedings* (especially The Future Orientation of the I.C.A., pages 120-25), the Resolutions of the Congress, pages 250-252, and "The Role of International Cooperation in Present Day Economic Development," by Albin Johansson, pages 211-238.

HEDBERG, ANDERS, *International Wholesale Cooperation, Ideas and Proposals*, the Cooperative Union, Holyoake House, Manchester, 1925.
Peoples Year Book, Descriptive and Statistical Annual of the English and Scottish Wholesale Societies, each January (Manchester and Glasgow).

REDFERN, PERCY, *The New History of the Cooperative Wholesale Society*, J. M. Dent and Sons, London, 1938.

Review of International Cooperation, monthly of the International Cooperative Alliance, London, especially June, 1939, International Cooperative Day, Resolutions for Peace and Condemnation of War.

Part VII

PRESENT-DAY STATISTICS FOR THE COOPERATIVE
MOVEMENT

TABLES¹

WHILE the first part of this volume is mainly intended to furnish, country by country, a broad description of the Cooperative Movement—or, at least, of that important portion which is grouped in federative organisations—the object of the following tables is to give a series of general surveys of some of the principal economic activities of the Movement. These tables, therefore, do not include those federations or other central organisations which, although mentioned in the First Part, have no economic activity of their own.

CLASSIFICATION

For purposes of obtaining totals of the various available data, the cooperative central organisations have been divided into three main categories as homogeneous as possible, grouping (wholly or mainly): (*a*) consumers' cooperative societies, (*b*) agricultural cooperative societies, and (*c*) occupational cooperative societies other than agricultural. . . .

TOTAL FIGURES

As in previous editions, each table contains totals for each country and a grand total for the world.

It has, moreover, been considered useful to give separately the data for each organisation taken into account (referred to by the serial number given to it in the Directory proper). Where the activity of an organisation does not involve any data for one or other of the columns of the tables, the corresponding space is occupied by a dash (—). In cases where no figure has been obtained concerning an activity in which an organisation is or may be engaged, this is indicated by the sign (. .). . . .

While in the first part the data expressing values are given in thousands of the units of the various national currencies, they are converted into a common monetary unit in the tables for purposes of comparison. Instead of one of the big currencies in international use, the "gold franc" has been chosen for this purpose, that is to say the currency of the old Latin Monetary Union, equivalent to

¹ Quoted, with permission, from *International Directory of Cooperative Organisations*, of the International Labour Office, 10th edition, Geneva, 1939, pages 131-154.

the Swiss franc prior to its devaluation in December 1936 (gold content 0.29032 grammes fine). The data are thus given in thousands of "gold francs."

While the "gold franc" has the advantage of an exact and invariable definition, it has the drawback of not being in practical use. To counteract this disadvantage, it has been considered useful to indicate below the value of a thousand "gold francs" at the average exchange rates for 1937 of some currencies in international use:

1,000 gold francs	=	326.69 dollars
" " "	=	593.50 florins
" " "	=	8,064.52 French francs
" " "	=	1,424.50 Swiss francs
" " "	=	66.08 pounds sterling.

I

CENTRAL ORGANISATIONS OF CONSUMERS' COOPERATIVE SOCIETIES

TABLE A. WHOLESALE SOCIETIES¹

Country	Trade	Own Production	Share Capital Paid Up	Reserves	Total of Balance Sheets
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Allemagne (Germany).....	406,230	148,459	..	..	155,968
Argentine (Argentina).....	672	—	2,038	92	5,468
Australie (Australia).....	7,777	—	1,025	639	..
Belgique (Belgium).....	21,407	3,488	1,490	130	5,617
Bulgarie (Bulgaria).....	21,390 ²	4,626	465	1,227	9,364
Canada.....	2,844	—	238	43	..
Danemark (Denmark).....	139,797	40,966	1,217	30,285	63,206
Espagne (Spain).....	1,300	..	..	..	..
Etats-Unis (United States)..<	35,846	..	560	70	5,151
Finlande (Finland).....	175,193	36,038	265	20,759	48,652
France (France).....	137,767	7,743	1,852	1,165	25,923
Grande-Bretagne (Great Britain).....	2,278,848	720,436	258,713	87,362	3,402,882
Hongrie (Hungary).....	30,941	10,727	2,916	292	17,408
Italie (Italy).....	18,606	..	222	30	2,396
Japon (Japan).....	107,196	—	2,867	580	16,724
Norvège (Norway).....	41,120	20,427	1,878	2,514	20,620
Palestine (Palestine).....	6,189 ²	—	318	515	3,571
Pays-Bas (Netherlands)....	47,380	4,321	2,251	86	14,152
Pologne (Poland).....	55,347	4,406	1,195	1,688	12,396
Roumanie (Rumania).....	7,217 ²	—	388	121	5,089
Suède (Sweden).....	169,426	108,873	20,666	34,764	158,384
Suisse (Switzerland).....	135,237	3,949	1,211	8,144	17,477
Tchéco-Slovaquie (Czecho- Slovakia).....	81,728	18,449	185	232	2,504
U.R.S.S. (U.S.S.R.).....	1,398,267	..	..	..	..
Uruguay (Uruguay).....	1,692	—	283	31	714
Yougoslavie (Yugoslavia)....	5,939	2,065	11,511	424	12,832
Total.....	5,335,356 ²	1,134,973	303,754	191,970	4,011,600

¹ Wholesale societies and federations acting as wholesale societies.² A certain portion of which in marketing activities, i.e. in thousands of gold francs, 5,905 for Bulgaria, 590 for Palestine, 219 for Rumania and 6,714 in aggregate.

TABLE B. SPECIAL PURPOSE FEDERAL SOCIETIES

Country	Trade	Own Production	Share Capital Paid Up	Reserves	Total of Balance Sheets
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Grande-Bretagne (Great Britain).....	11,183	5,841	2,421	953	6,295
Lithuanie (Lithuania).....	2,787	412	724	641	4,544
Suède (Sweden).....	9,360	—	183	39	768
Suisse (Switzerland).....	631,200	10,024	2,118	1,129	9,077
Total.....	654,530	16,277	5,446	2,762	20,684

TABLE C. BANKS BELONGING TO CONSUMERS' COOPERATIVE SOCIETIES

Country	Share Capital Paid Up	Reserves	Total of Balance Sheets	Turnover
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Belgique (Belgium).....	209	34	12,885	..
Danemark (Denmark).....	3,864	1,435	52,366	783,333
France (France).....	288	33	5,332	302,704
Grande-Bretagne (Great Britain)....	—	—	1,653,356	11,654,014
Hongrie (Hungary).....	451	245	6,950	84,074
Norvège (Norway).....	1,216	33	3,774	168,964
Pays-Bas (Netherlands).....	30	297	6,791	..
Pologne (Poland).....	405	1,041	2,998	..
Suisse (Switzerland).....	7,581	1,018	92,458	1,900,487
Tchéco-Slovaquie (Czecho-Slovakia)..	1,070	872	27,811	1,312,105
Total.....	15,114	5,008	1,864,721	16,205,681

TABLE D. INSURANCE COOPERATIVE SOCIETIES

Country and Risks Insured 1	Amount Insured ¹ 2	Premiums Rec'd. 3	Claims Paid 4	Total of Balance Sheet 5
Belgique (Belgium).....	1,249,585	5,915	1,701	18,158
a) Life.....	112,092	3,570	954	..
b) Accidents.....	1,137,493	1,081	391	..
c) Fire.....	..	1,264	356	..
Danemark (Denmark).....	100,853	1,242	1,131	847
a) Life.....	19,972	958	1,002	..
b) Accidents.....	..	185	107	..
c) Fire.....	80,881	99	22	..
Espagne (Spain).....	4,531	7	..	2,405
c) Fire.....	4,531	7	..	2,405
Finlande (Finland).....	376,181	5,973	1,294	30,735
a) Life.....	159,931	4,301	946	..
b) Accidents.....	17,768	271	112	..
c) Fire.....	196,988	540	135	..
f) Other risks.....	1,494	861	101	..
France (France).....	655,562	449	91	149
c) Fire.....	655,562	449	91	149
Grande-Bretagne (Great Britain)....	1,982,060	127,359	62,771	418,185
a) Life.....	1,982,060	100,317	47,079	..
b) Accidents.....	..	21,322	14,043	..
c) Fire.....	..	5,720	1,649	..
Hongrie (Hungary).....	167,774	652	198	1,474
a) Life.....	7,192	441	96	..
c) Fire.....	128,533	126	37	..
f) Other risks.....	32,049	85	65	..
Norvège (Norway).....	244,705	1,518	266	3,799
a) Life.....	27,881	1,030	65	..
c) Fire.....	182,788	373	133	..
f) Sundry risks.....	34,036	115	68	..
Suède (Sweden).....	2,079,870	14,965	7,008	86,918
a) Life.....	229,476	7,851	2,565	..
b) Accidents.....	..	4,604	3,356	..
c) Fire.....	1,850,394	2,510	1,087	..
Suisse (Switzerland).....	54,593	3,086	2,088	49,906
a) Life.....	54,593	3,086	2,088	..

TABLE D. INSURANCE COOPERATIVE SOCIETIES (*Continued*)

Country and Risks Insured 1	Amount Insured ¹ 2	Premiums Rec'd. 3	Claims Paid 4	Total of Balance Sheet 5
Tchéco-Slovaquie (Czecho-Slovakia)..	68,165	4,396	1,849	26,800
a) Life.....	68,165	3,104	1,184	..
b) Accidents.....	..	120	71	..
c) Fire.....	..	350	100	..
f) Other risks.....	..	822	494	..
Yugoslavie (Yugoslavia).....	1,816	31	2	..
a) Life.....	1,816	31	2	..
Total.....	6,985,695	165,593	78,399	639,376

¹ Amount insured or re-insured.

II

CENTRAL ORGANISATIONS OF OCCUPATIONAL (OTHER THAN AGRICULTURAL) COOPERATIVE SOCIETIES

TABLE E. CENTRAL TRADING ORGANISATIONS

Country	Trade	Share Capital Paid Up	Reserves	Total of Balance Sheets
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Allemagne (Germany).....	565,521	716	776	25,233
Bulgarie (Bulgaria).....	444	740	555	3,700
Estonie (Esthonia).....	687 ¹	..	..	196
Etats-Unis (United States).....	230	..	..	..
France (France).....	19,840	258	..	4,426
Grande-Bretagne (Great Britain)...	6,295	..	6	711
Inde (India).....	279	21	—	34
Lettonie (Latvia).....	201 ¹	..	..	..
Suisse (Switzerland).....	49,659	..	1,338	11,650
U.R.S.S. (U.S.S.R.).....	1,188,311	..	2,432	493,818
Yougoslavie (Yugoslavia).....	83	..	..	77
Total.....	1,831,550 ²	1,735	5,107	539,845

¹ Amount of marketing activities.

² Of which 888 thousand gold Francs in marketing business (Estonia, Latvia).

TABLE F. BANKS BELONGING TO OCCUPATIONAL COOPERATIVE SOCIETIES

Country	Share Capital Paid Up	Reserves	Total of Balance Sheets	Turnover
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Allemagne (Germany).....	1,668	757	34,635	3,824,298
France (France).....	383	1,798	7,906	123,691
Lithuanie (Lithuania).....	1,545	371	17,933	896,503
Palestine (Palestine).....	4,358	938	20,506	190,676
Suisse (Switzerland).....	66,722	4,914	483,444	12,910,482
Total.....	74,676	8,778	564,424	17,895,650

III

CENTRAL ORGANISATIONS OF AGRICULTURAL COOPERATIVE SOCIETIES

TABLE G. GENERAL ORGANISATIONS

Country	Trade			Own Production	Share Capital Paid Up	Reserves	Total of Balance Sheet
	Total	Of Which					
		Supplies	Sales				
	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.
Allemagne (Germany).....	1,641,669	1,118,846	522,823	..	4,924	4,924	318,657
Argentine (Argentina).....	893	—	893	—	..	..	105
Australie (Australia).....	180,050	6,270	173,780	..	8,947	2,026	30,374
Belgique (Belgium).....	67,849	53,583	14,266	—	1,551	381	21,080
Brésil (Brazil).....	15,997	..	..	..	..	..	588
Bulgarie (Bulgaria).....	37,262	3,776	33,486	..	389	79	16,192
Canada (Canada).....	37,920	37,920	—	..	781	1,442	..
Danemark (Denmark).....	2,430	2,430	—	..	..	82	772
Dantzig (Danzig).....	19,348	..	..	—	602	185	3,953
Egypte (Egypt).....	..	..	..	..	16	..	16
Estonie (Esthonia).....	24,421	24,421	—	5,207	674	749	8,512
Etats-Unis (United States)	420,397	351,075	69,322	..	1,200	798	2,111,533
Finlande (Finland).....	43,015	41,333	..	..	97	3,926	12,045
Hongrie (Hungary).....	109,083 ¹	76,393	27,563	4,264	17,965	3,669	88,191
Inde (India).....	592	72	520	—	13	15	123
Irlande (Ireland).....	10,215	10,215	—	1,890	515	212	3,662
Islande (Iceland).....	17,434	8,444	8,990	..	558	5,423	7,284
Italie (Italy).....	137,655	48,300	89,355	..	182	685	..
Japon (Japan).....	190,824	6,896	189,928	..	671	—	9,916
Lettonie (Latvia).....	33,580	33,580	—	..	3,981	704	9,717
Lithuanie (Lithuania).....	37,456	37,456	—	..	..	..	8,333
Luxembourg (Luxemburg).....	3,704	3,704	—	—	8	12	1,069
Norvège (Norway).....	22,909	22,909	—	—	..	..	9,465
Nouvelle-Zélande (New Zealand).....	80,609 ¹	2,855	19,439	..	7,289	717	26,084
Palestine (Palestine).....	8,505	—	8,505	..	..	..	..
Pays-Bas (Netherlands).....	121,348 ¹	110,567	..	..	737	2,413	20,482
Pologne (Poland).....	71,443 ¹	9,375	9,902	1,129	624	529	16,070
Roumanie (Rumania).....	23,047 ¹	1,734	18,327	236	428	946	15,790
Suède (Sweden).....	53,914	33,148	20,766	..	1,519	484	8,815
Suisse (Switzerland).....	49,725	37,599	12,126	1,502	2,250	2,644	9,590
Tanganyika (Tanganyika).....	696	15	681	..	..	..	44
Tchéco-Slovaquie (Czecho-Slovakia).....	310,287	66,198	244,089	—	3,695	3,152	108,884
Tunisie (Tunis).....	1,612	1,612	—	—	..	—	..
Union Sud-Africaine (Union South Africa)....	31,922	4,496	27,426	—	120	120	3,237
Yugoslavie (Yugoslavia).....	16,114	6,732	9,382	213	2,245	1,983	17,840
Total.....	29,835 ¹	2,161,954	1,501,529	14,441	61,981	38,300	2,888,271

¹ This total amount of trade is greater than the sum of the amounts in cols. 2a and 2b on account of the fact that some organisations have supplied the total amount of trade without analysing it into its elements.

TABLE H. SPECIALISED CENTRAL ORGANISATIONS

Country	Trade			Own Production	Share Capital Paid Up	Reserves	Total of Balance Sheets
	Total	Of Which					
		Supplies	Sales				
	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.	1,000 Fr.
Allemagne (Germany).....	934,656 ¹	14,425	918,473	1,758	..	..	34,315
.....	28,518	1,604	26,914	..	7,404	4,472	26,540
.....	4,117 ¹	1	2,842	..	114	71	1,765
.....	3,574	..	..	1,924	1,036	1,701	3,404
Canada (Canada).....	147,304	7,551	139,753	9,443	14,734	35,566	94,862
Danemark (Denmark).....	143,965	123,824	19,541	5,197	3,322	23,216	56,453
Egypte (Egypt).....	280	155	125	..	357	31	600
Estonie (Esthonia).....	25,740	977	24,763	8,390	528	63	7,813
Etats-Unis (United States)	1,210,836	24,816	1,186,020	..	10,686	1,405	80,655
Finlande (Finland).....	81,581	..	81,581	..	1,399	4,521	21,509
France (France).....	1,612	..	1,612	..	..	..	..
Hongrie (Hungary).....	..	..	..	16,218	3,493	1,665	9,049
Jamaïque (Jamaica).....	1,165	..	1,165	..	..	..	704
Japon (Japan).....	36,467	..	36,467	..	459	222	1,888
Lettonie (Latvia).....	27,737	2,071	25,666	5,660	772	401	5,115
Lithuanie (Lithuania).....	33,851	..	33,851	..	1,330	4,608	6,117
.....	5,250	42	5,208	12	86	264	2,533
.....	17,998	..	17,998	..	22	42	20,592
.....	645	..	645	..	..	..	6
.....	58,039	..	58,039	..	41	855	3,978
Nouvelle-Zélande (New Zealand).....	8,528	1,822	6,706	18,296	14,907	1,287	37,868
Palestine (Palestine).....	16,223 ¹	..	14,679	..	2	1,392	2,270
Pologne (Poland).....	45,191	6,154	39,037	362	507	1,060	6,504
Suède (Sweden).....	99,858	2,381	97,477	..	296	523	7,887
Tchéco-Slovaquie (Czecho-Slovakia).....	26,248 ¹	1,856	9,945	18,152	1,993	594	8,395
Turquie (Turkey).....	8,408	119	8,289	504	150	300	8,032
Union Sud-Africaine (Union South Africa)....	75,924	4,766	71,158	..	6,759	24,834	36,508
Yougoslavie (Yugoslavia)..	6,747 ¹	..	6,545	..	60	313	2,081
Total.....	3,049,862 ¹	192,564	2,834,499	85,916	79,457	109,408	487,833

¹ See note 1, Table G.

TABLE I. AGRICULTURAL COOPERATIVE BANKS¹

Country	Share Capital Paid Up	Reserves	Total of Balance Sheets	Turnover
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Allemagne (Germany).....	128,824	14,834	645,734	66,966,400
Bulgarie (Bulgaria).....	..	..	387,223	..
Chypre (Cyprus).....	..	..	333	..
Danemark (Denmark).....	6,872	1,819	57,724	5,862,948
Inde (India).....	9,720	10,725	161,580	330,447
Japon (Japan).....	27,047	4,135	219,003	1,876,300
Mexique (Mexico).....	35,360	3,667	162,293	162,293
Norvège (Norway).....	6,650	281	52,254	3,781,760
Nouvelle-Zélande (New Zealand).....	6,573	401	21,832	..
Pologne (Poland).....	17,986	3,006	307,746	3,023,209
Roumanie (Rumania).....	3,769	10,815	57,563	..
Union Sud-Africaine (Union South Africa).....	236,555	13,638	433,949	..
Yougoslavie (Yugoslavia).....	1,420	7,089	23,302	53,924
Total.....	480,776	70,410	3,530,536	82,057,281

¹ Cooperative banks belonging wholly or mainly to agricultural cooperative societies (for Central Funds of rural cooperative credit societies, see Table I bis).

TABLE I BIS. CENTRAL FUNDS OF COOPERATIVE CREDIT SOCIETIES¹

Country	Share Capital Paid Up	Reserves	Total of Balance Sheets	Turnover
	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>	<i>1,000 Fr.</i>
Algérie (Algeria).....	..	..	13,437	..
Allemagne (Germany).....	..	..	1,221,025	73,462,646
Belgique (Belgium).....	1,226	277	65,774	1,390,179
Bulgarie (Bulgaria).....	1,574	1,022	75,094	774,730
Ceylan (Ceylon).....	117	15	1,023	..
Danemark (Denmark).....	—	583	7,047	..
Dantzic (Danzig).....	587	252	9,248	415,633
Estonie (Esthonia).....	819	373	9,837	590,332
Finlande (Finland).....	2,680	2,876	86,474	1,703,542
France (France).....	28,388	37,459	511,521	2,985,809
Guadeloupe (Guadeloupe).....	103	27	281	..
Hongrie (Hungary).....	19,215	6,027	209,012	5,381,585
Italie (Italy).....	43	13,759	252,061	1,668
Japon (Japan).....	2,498	899	140,366	538,835
Lettonie (Latvia).....	420	2,289	2,749	51,722
Lithuanie (Lithuania).....	..	20	12,028	86,751
Luxembourg (Luxemburg).....	1	112	2,851	12,271
Martinique (Martinique).....	302	106	1,611	992
Palestine (Palestine).....	378	61	4,449	..
Pays-Bas (Netherlands).....	142	7,583	396,415	784,064
Pologne (Poland).....	170	212	4,803	27,508
Roumanie (Rumania).....	—	7	125	..
Suède (Sweden).....	..	..	70,095	..
Suisse (Switzerland).....	1,895	737	45,147	52,737
Tchéco-Slovaquie (Czecho-Slovakia)....	2,917	13,187	528,128	4,697,437
Tunisie (Tunis).....	353	176	23,610	92,258
Yougoslavie (Yugoslavia).....	759	937	54,537	33,348
Total.....	64,117	88,788	3,699,417	92,041,413

¹ The few Central Funds which wholly or partly group urban cooperative credit societies have also been classified in this table.

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TABLE J. CENTRAL FUNDS OF COOPERATIVE OR MUTUAL INSURANCE SOCIETIES¹

Country and Risks Insured 1	Amount Insured ² 2	Premiums Rec'd. 3	Claims Paid 4	Total of Balance Sheet 5
Algérie (Algeria).....	551,591	2,691	818	3,388
b) Accidents.....	..	..	..	..
c) Fire.....	..	..	..	..
d) Livestock.....	..	..	..	..
e) Hail.....	..	..	..	..
Allemagne (Germany).....	1,393,313	34,161	14,625	61,504
a) Life.....	196,641	10,706	2,434	..
c) Fire.....	..	2,813	873	..
d) Livestock.....	1,196,672	14,635	8,711	..
f) Sundry risks.....	..	5,917	2,607	..
Australie (Australia).....	59,410	5,401	1,772	20,643
a) Life.....	59,410	1,917	458	..
f) Other risks.....	..	3,484	1,314	..
Belgique (Belgium).....	32,420	4,150	1,867	15,520
a) Life.....	29,355	1,439	306	..
b) Accidents.....	..	2,683	1,555	..
e) Hail.....	3,065	28	6	..
Bulgarie (Bulgaria).....	286,748	3,388	503	25,836
a) Life.....	60,896	2,914	402	..
c) Fire.....	215,980	453	100	..
f) Other risks.....	9,872	21	1	..
Canada (Canada).....	861,139	1,726	..	6,413
c) Fire.....	827,468	..	..	..
e) Hail.....	33,671	1,726	..	..
Danemark (Denmark).....	131,369	8,448	5,094	57,954
a) Life.....	127,926	5,746	2,989	..
b) Accidents.....	..	2,667	2,081	..
f) Other risks.....	3,443	35	24	..
Estonie (Esthonia).....	191,025	550	283	398
c) Fire.....	189,347	516	272	..
f) Other risks.....	1,678	34	11	..
Etats-Unis (United States).....	312,519	1,714	974	3,563
a) Life.....	46,212	1,439	796	..
c) Fire.....	266,307	275	178	..
Finlande (Finland).....	287,871	612	274	3,360
a) Life.....	1,258	89	17	..
b) Accidents.....	1,988	24	8	..
c) Fire.....	283,075	473	231	..
d) Livestock.....	1,550	26	18	..
France (France).....	1,212,778	10,004	5,957	10,818
b) Accidents.....	89,878	3,786	2,020	..
c) Fire.....	1,057,040	2,321	938	..
d) Livestock.....	..	170	166	..
e) Hail.....	13,728	358	129	..
f) Sundry risks.....	52,132	3,369	2,704	..

TABLE J. CENTRAL FUNDS OF COOPERATIVE OR MUTUAL INSURANCE SOCIETIES¹
(Continued)

Country and Risks Insured 1	Amount Insured ² 2	Premiums Rec'd. 3	Claims Paid 4	Total of Balance Sheet 5
Grande-Bretagne (Great Britain)....	..	..	..	..
c) Fishing vessels.....	..	12	8	..
Hongrie (Hungary).....	77,304	8,909	3,037	..
a) Life.....	77,304	3,661	865	..
c) Fire.....	..	3,131	1,137	..
d) Livestock.....	..	141	79	..
e) Hail.....	..	1,186	620	..
f) Other risks.....	..	790	336	..
Inde (India).....	9,242	969	81	1,070
a) Life.....	9,242	969	81	..
Italie (Italy).....	121,609	269	..	485
b) Accidents.....	67,152	122	..	..
c) Fire.....	30,541	24	..	..
d) Livestock.....	..	57	..	..
e) Hail.....	..	..	..	..
f) Sundry risks.....	23,916	66	..	..
Lettonie (Latvia).....	241,737	564	201	..
c) Fire.....	201,407	497	193	..
f) Other risks.....	40,330	67	8	..
Lithuanie (Lithuania).....	18,834	156	110	148
f) Sundry risks.....	18,834	156	110	..
Luxembourg (Luxemburg).....	1,203	2	2	10
d) Livestock.....	1,203	2	2	..
Palestine (Palestine).....	35,321	859	280	102
a) Life.....	11,562	499	15	..
b) Accidents.....	1,740	12	8	..
c) Fire.....	16,132	106	30	..
d) Livestock.....	5,887	242	227	..
Pays-Bas (Netherlands).....	192,884	5,629	1,681	46,016
a) Life.....	144,369	4,091	1,228	..
b) Accidents.....	48,515	1,538	453	—
Roumanie (Rumania).....	74,319	324	126	548
a) Life.....	750	86	23	..
c) Fire.....	66,784	204	96	..
f) Sundry risks.....	6,785	34	7	..
Yougoslavie.....	1,015	10	10	190
d) Livestock.....	1,015	10	10	190
Total.....	6,093,651	90,548	37,703	259,756

¹ This table relates particularly to Central Funds of agricultural cooperative or mutual insurance societies with the exception, however, of certain organisations which could not be classified in any of the preceding tables.

² Amount insured or re-insured.

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